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Appropriations for FY2004: U.S. Department of Agriculture and Related Agencies

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The annual consideration of appropriations bills (regular, continuing, and supplemental) by Congress is part of a complex set of budget processes that also encompasses the consideration of budget resolutions, revenue and debt-limit legislation, other spending measures, and reconciliation bills. In addition, the operation of programs and the spending of appropriated funds are subject to constraints established in authorizing statutes. Congressional action on the budget for a fiscal year usually begins following the submission of the President's budget at the beginning of the session. Congressional practices governing the consideration of appropriations and other budgetary measures are rooted in the Constitution, the standing rules of the House and Senate, and statutes, such as the Congressional Budget and Impoundment Control Act of 1974.

This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on Agriculture. It summarizes the status of the bill, its scope, major issues, funding levels, and related congressional activity, and is updated as events warrant. The report lists the key CRS staff relevant to the issues covered and related CRS products.

NOTE: A Web version of this document with active links is available to congressional staff at: [http://www.crs.gov/products/appropriations/apppage.shtml].

Appropriations for FY2004: U.S. Department of Agriculture and Related Agencies

Summary

On January 23, 2004, the President signed into law an FY2004 consolidated appropriations measure (P.L. 108-199, H.R. 2673) that includes annual funding for the U.S. Department of Agriculture and Related Agencies. The full House approved the conference agreement of the measure on December 8, 2003. Senate floor action on the conference agreement was delayed for several weeks until a cloture motion was approved and the conference agreement was adopted on January 22, 2004. Part of the reason for the delay in Senate consideration of the measure was opposition to a conference-adopted provision that postpones implementation of country-of-origin labeling (COOL) for fresh fruits and vegetables, and red meats, for two years, until September 30, 2006. Until enactment of P.L. 108-199, FY2004 spending for USDA and related agencies had been governed by several continuing resolutions (most recently P.L. 108-135, H.J.Res. 79), which allowed FY2004 spending to continue at the FY2003 level.

The FY2004 consolidated appropriations act contains $80.63 billion for USDA and related agencies for FY2004 (excluding the effects of a 0.59% across-the-board rescission in all discretionary, non-defense accounts, as required by the final law). As originally reported by their respective committees, H.R. 2673 and S. 1427 contained nearly identical appropriations of $77.49 billion. However, the Senate added $2.2 billion to the mandatory food stamp account to reflect more recent projections of program participation, and conferees added $1 billion to the food stamp reserve account. Just over three-fourths ($63.7 billion) of the spending in the agriculture portion (Division A) of P.L. 108-199 is classified as mandatory spending, including food stamps, child nutrition programs, crop insurance, and the various farm support programs funded through USDA's Commodity Credit Corporation.

The balance of spending ($16.9 billion) in Division A is for discretionary programs, which is $198 million below the Administration's request and $61 million below both the House- and Senate-passed levels. Discretionary spending in Division A of the measure is $963 million below the FY2003 enacted level including supplementals. Agriculture appropriators were allocated nearly $1 billion less for FY2004 discretionary accounts than the FY2003 level including supplementals. To help achieve this goal, P.L. 108-199 includes an FY2004 appropriation for foreign food aid that is $572 million below the FY2003 level (which was bolstered by supplemental spending). Also, P.L. 108-199 contains provisions that limit or prohibit spending on certain mandatory conservation, rural development, and research programs, which in total reduced spending in these accounts by approximately $650 million from authorized levels.

The measure did not include a Senate provision that would have relaxed the licensing requirement for travel to Cuba for the sale of agricultural and medical products. Conferees also rejected a House provision that would have blocked FDA from preventing individuals from importing cheaper FDA-approved prescription drugs from foreign suppliers.

Key Policy Staff

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USDA Budget/Farm Spending and Coordinator	(name redacted)	RSI	7-....
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Agricultural Trade and Food Aid	(name redacted)	RSI	7-....
Agricultural Research and Food Safety	(name redacted)	RSI	7-....
Agricultural Marketing, Grain Inspection, Packers and Stockyards	(name redacted)	RSI	7-....
Animal and Plant Health Inspection	James Monke	RSI	7-....
Rural Development	(name redacted)	RSI	7-....
Domestic Food Assistance	Jean Yavis Jones (name redacted)	RSI DSP	7-.... 7-7325
Food and Drug Administration	(name redacted)	DSP	7-....
Commodity Futures Trading Commission	(name redacted)	G&F	7-....

Division abbreviations: RSI = Resources, Science and Industry; DSP = Domestic Social Policy; G&F = Government and Finance

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Most Recent Developments

On January 22, 2004, the Senate adopted a cloture motion and approved the conference agreement on the FY2004 consolidated appropriations bill (H. Rept. 108-401, H.R. 2673). The measure combined six annual appropriations measures with the spending bill for the U.S. Department of Agriculture (USDA) and Related Agencies. The President signed the measure into law (P.L. 108-199) on January 23, 2004. Division A of P.L. 108-199 contains $80.6 billion in FY2004 funding for USDA and related agencies, of which $16.9 billion is for discretionary programs and $63.7 billion is for mandatory programs.

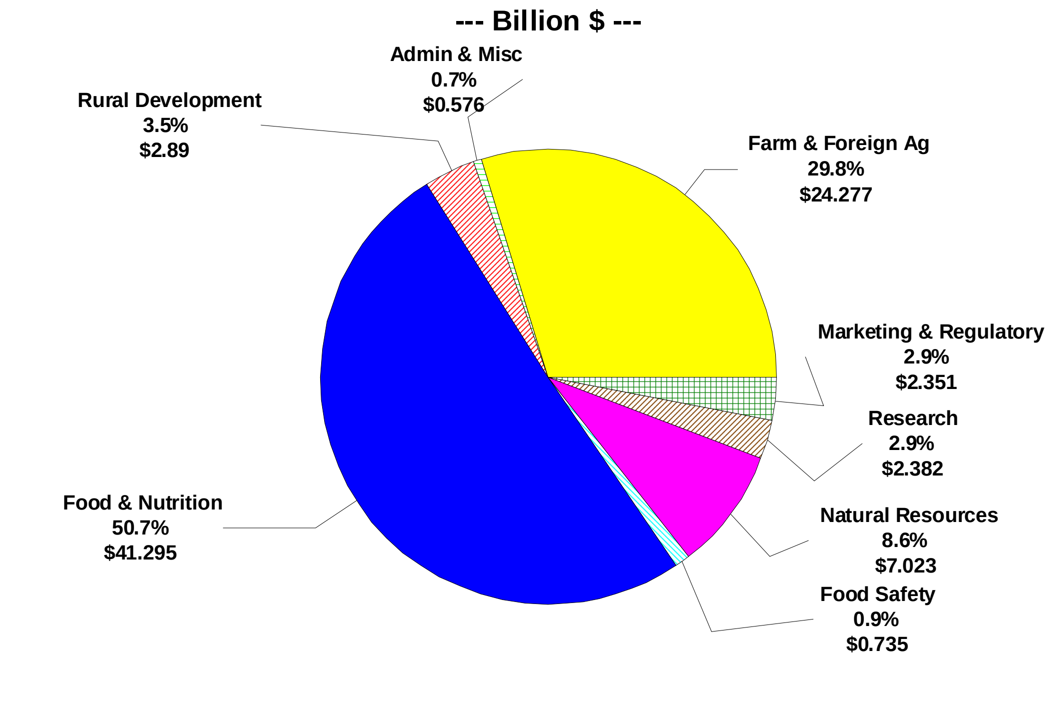
USDA Spending at a Glance

The U.S. Department of Agriculture (USDA) carries out its widely varied responsibilities through approximately 30 separate internal agencies and offices staffed by some 100,000 employees. USDA is responsible for many activities outside of the agriculture budget function. Hence, spending for USDA is not synonymous with spending for farm programs.

USDA gross outlays for FY2003 were $81.53 billion, including regular and supplemental spending. The mission area with the largest gross outlays ($41.3 billion or 50% of spending) was for food and nutrition programs — primarily the food stamp program (the costliest single USDA program), various child nutrition programs, and the Supplemental Nutrition Program for Women, Infants and Children (WIC). The second largest mission area in terms of total spending is for farm and foreign agricultural services, which totaled $24.3 billion, or 30% of all USDA spending in FY2003. Within this area are the programs funded through the Commodity Credit Corporation (e.g., the farm commodity price and income support programs and certain mandatory conservation and trade programs), crop insurance, farm loans, and foreign food aid programs.

Note: The FY2004 consolidated appropriations act (P.L. 108-199, H.R. 2673) contains a 0.59 percent across-the-board rescission in all discretionary accounts. Enacted FY2004 funding levels in this report do not reflect the effects of this rescission.

Figure 1. U.S. Department of Agriculture Gross Outlays, FY2003



Source: USDA Office Of Budget and Program Analysis

Total USDA spending in FY2003 also included $7.0 billion (9%) for an array of natural resource and environment programs, approximately three-fourths of which was for the activities of the Forest Service, and the balance for a number of discretionary conservation programs for farm producers. (USDA's Forest Service is funded through the Interior appropriations bill; it is the only USDA agency not funded through the annual agriculture appropriations bill.) USDA programs for rural development ($2.9 billion in gross outlays for FY2002); research and education ($2.4 billion); marketing and regulatory activities ($2.3 billion); meat and poultry inspection ($735 million); and departmental administrative offices and other activities ($576 million) accounted for the balance of USDA spending.

Mandatory vs. Discretionary Spending

Approximately three-fourths of total spending within the U.S. Department of Agriculture is classified as mandatory, which by definition occurs outside the control of annual appropriations. Currently accounting for the vast majority of USDA mandatory spending are: the farm commodity price and income support programs (including ongoing programs authorized by the 2002 farm bill and emergency programs authorized by various appropriations acts); the food stamp program and child nutrition programs; the federal crop insurance program; and various agricultural conservation and trade programs.

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Although these programs have mandatory status, many of these accounts ultimately receive funds in the annual agriculture appropriations act. For example, the food stamp and child nutrition programs are funded by an annual appropriation based on projected spending needs. Supplemental appropriations generally are made if and when these estimates fall short of required spending. An annual appropriation also is made to reimburse the Commodity Credit Corporation for losses it incurs in financing the commodity support programs and the various other programs it finances.

The other 25% of the USDA budget is for discretionary programs, which are determined by funding in annual appropriations acts. Among the major discretionary programs within USDA are Forest Service programs; certain conservation programs; most of its rural development programs, and research and education programs; agricultural credit programs; the supplemental nutrition program for women, infants, and children (WIC); the Public Law (P.L.) 480 international food aid program; meat and poultry inspection; and food marketing and regulatory programs. Funding for all USDA discretionary programs (except for the Forest Service) is provided by the annual agriculture appropriations act. Funding for Forest Service programs is included in the annual Interior appropriations act.

Table 1. USDA and Related Agencies Appropriations, FY1995 to FY2003
(budget authority in billions of dollars)

	FY95	**FY96**	**FY97**	**FY98**	**FY99**	**FY00**	**FY01**	**FY02**	**FY03**
Discretionary	$13.29	$13.31	$13.05	$13.75	$13.69	$13.95	$15.07	$16.02	$17.46
Mandatory	$54.61	$49.78	$40.08	$35.80	$42.25	$61.95	$58.34	$56.91	$56.70
Total Budget Authority	$67.90	$63.09	$53.12	$49.55	$55.94	$75.90	$73.41	$72.93	$74.16

Note: Includes regular annual appropriations for all of USDA (except the Forest Service), the Food and Drug Administration, and the Commodity Futures Trading Commission. Excludes all mandatory emergency supplemental appropriations. The FY2003 level reflects the 0.65% across-the-board rescission applied to all discretionary programs funded in the FY2003 Consolidated Appropriations Act (P.L. 108-7), except for the WIC program which was specifically exempted.

Source: House Appropriations Committee.

A key distinction between mandatory and discretionary spending involves how these two categories of spending are treated in the budget process. Congress generally controls spending on mandatory programs by setting rules for eligibility, benefit formulas, and other parameters rather than approving specific dollar amounts for these programs each year. Eligibility for mandatory programs is usually written into authorizing law, and any individual or entity that meets the eligibility requirements is entitled to the benefits authorized by the law. Spending for discretionary programs is controlled by annual appropriations acts. The 13

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subcommittees of the House and Senate Appropriations Committees originate bills each year which decide how much funding to devote to continuing current activities as well as any new discretionary programs.

Congressional Action

The agriculture subcommittee of the House Appropriations Committee and the full House Appropriations Committee completed markup of the FY2004 appropriations bill for USDA and related agencies on June 17, 2003 and June 25, 2003, respectively. The FY2004 House measure (H.R. 2673, H.Rept. 108-193) was officially reported on July 9, 2003, and approved by the full House on July 14, 2003. Following the House action, the agriculture subcommittee of the Senate Appropriations Committee completed markup of its version of the FY2004 agricultural appropriations bill on July 15 and July 17, 2003, respectively, and reported the measure (S. 1427, S.Rept. 108-107) on July 17. Senate floor action was completed on November 6, 2003, following the adoption of approximately 49 amendments. The Senate substituted the text of H.R. 2673 with the text of S. 1427 as amended, and then passed H.R. 2673 as amended.

On November 25, 2003, H.R. 2673 became a consolidated appropriations measure when the conference agreement (H. Rept. 108-401) on H.R. 2673 was filed, incorporating six other FY2004 appropriations measures with USDA funding. The full House approved the conference agreement on December 8, 2003. Senate action was completed on January 22, 2004, when a cloture motion was adopted followed by Senate passage. The President signed the measure into law (P.L. 108-199) on January 23, 2004.

Because final action on the FY2004 USDA spending bill (as well as several other annual appropriations measures) was not completed in time for the beginning of the fiscal year (October 1, 2003), spending for USDA and related agencies was governed by several continuing resolutions (most recently P.L. 108-135, which was in effect until enactment of the consolidated appropriations measure on January 23, 2004.) P.L. 108-135 allowed all departments and agencies for which FY2004 spending bills had not been completed to be funded at the FY2003 level until the earlier of: enactment of a final spending measure or January 31, 2004.

The enacted consolidated appropriations measure contains $80.63 billion for USDA and related agencies for FY2004 (excluding the effects of a 0.59% across-the-board rescission in all discretionary, non-defense accounts, as required in the final law). As originally reported by their respective committees, H.R. 2673 and S. 1427 contained nearly identical appropriations of $77.49 billion. However, the Senate added $2.2 billion to the mandatory food stamp account to reflect more recent projections of program participation, and conferees added $1 billion to the food stamp reserve account. Just over three-fourths ($63.7 billion) of the spending in the agriculture portion (Division A) of P.L. 108-199 is classified as mandatory spending,

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including food stamps, child nutrition programs, crop insurance, and the various farm support programs funded through USDA's Commodity Credit Corporation.

The balance of spending ($16.9 billion) in Division A is for discretionary programs, which is $198 million below the Administration's request and $61 million below both the House- and Senate-passed levels. Discretionary spending in Division A of the measure is $963 million below the FY2003 enacted level including supplementals. Agriculture appropriators were allocated nearly $1 billion less for FY2004 discretionary accounts than the FY2003 level including supplementals. To help achieve this goal, the conference agreement includes an FY2004 appropriation for foreign food aid that is $572 million below the FY2003 level (which was bolstered by supplemental spending). Also, the conference agreement contains provisions that limit or prohibit spending on certain mandatory conservation, rural development, and research programs, which in total reduced spending in these accounts by approximately $650 million from authorized levels.

The measure did not include a Senate provision that would have relaxed the licensing requirement for travel to Cuba for the sale of agricultural and medical products. Conferees also rejected a House provision that would have blocked FDA from preventing individuals from importing cheaper FDA-approved prescription drugs from foreign suppliers.

Table 2. Congressional Action on FY2004 Appropriations for the U.S. Department of Agriculture and Related Agencies

Subcommittee Markup Completed		House Report	House Passage	Senate Report	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/17/03	**	H.R. 2673, H.Rept. 108-193 7/9/03	7/14/03	S. 1427, S.Rept. 108-107 7/17/03	11/6/03 (1)	H.Rept. 108-401 11/25/03 (2)	Vote of 242-176 12/8/03	Vote of 65-28 1/22/04	P.L. 108-199 1/23/04

** = Pending

(1) Before Senate floor action on the FY2004 appropriations measure, the Senate substituted the text of S. 1427 for the text of the House-passed bill (H.R. 2673), and then after considering further amendments, adopted H.R. 2673, as amended.

(2) Six other appropriations bills were included in H.Rept. 108-401 as part of an FY2004 consolidated appropriations bill.

Note: The FY2004 consolidated appropriations act (P.L. 108-199, H.R. 2673) contains a 0.59 percent across-the-board rescission in all discretionary accounts. Enacted FY2004 funding levels in this report do not reflect the effects of this rescission.

FY2004 Agriculture Appropriations: Spending Levels and Current Issues

The following sections compare the agriculture provisions of the FY2004 consolidated appropriations act (P.L. 108-199, H.Rept. 108-401) with the House-passed version of the FY2004 agriculture appropriations bill (H.R. 2673), the Senate-passed version of the measure (originally reported as S. 1427, but subsequently amended and substituted as the text for H.R. 2673), the FY2004 Administration request, and the enacted conference agreement on the FY2003 omnibus appropriations bill (P.L. 108-7) for various mission areas and agencies within USDA, and for the Food and Drug Administration and the Commodity Futures Trading Commission. Also see the table at the end of the report for a tabular summary.

Commodity Credit Corporation

Most spending for USDA's mandatory agriculture and conservation programs was authorized by the 2002 farm bill (P.L. 107-171), and is funded through USDA's Commodity Credit Corporation (CCC). The CCC is a wholly owned government corporation. It has the legal authority to borrow up to $30 billion at any one time from the U.S. Treasury. These borrowed funds are used to finance spending for ongoing programs such as farm commodity price and income support activities and various conservation, trade, and rural development programs. The CCC has also been the funding source for a large portion of emergency supplemental spending over the years, particularly for ad-hoc farm disaster payments, and direct market loss payments to growers of various commodities which have been provided in response to low farm commodity prices.

The CCC must eventually repay the funds it borrows from the Treasury. Because the CCC never earns more than it spends, its losses must be replenished periodically through a congressional appropriation so that its $30 billion borrowing authority (debt limit) is not depleted, which would render the corporation unable to function. Congress generally provides this infusion through the regular annual USDA appropriation law. Because of the degree of difficulty in estimating its funding needs, which is complicated by crop and weather conditions and other uncontrollable variables, the CCC in recent years has received a "current indefinite appropriation," which in effect allows the CCC to receive "such sums as are necessary" during the fiscal year for previous years' losses and current year's losses.

As in past years, the Administration requested an indefinite appropriation for the CCC for FY2004, which the Administration estimated at $17.275 billion, compared with an estimated indefinite appropriation of $16.285 billion provided in FY2003. The final FY2004 consolidated appropriations act (P.L. 108-199) and the original House- and Senate-passed FY2004 agriculture appropriations bills (H.R. 2673) all concur with this request.

Note: The FY2004 consolidated appropriations act (P.L. 108-199, H.R. 2673) contains a 0.59 percent across-the-board rescission in all discretionary accounts. Enacted FY2004 funding levels in this report do not reflect the effects of this rescission.

Dairy Price Support Provision. A general provision in the final consolidated appropriations act requires the Secretary of Agriculture to more diligently support the farm price of milk at the farm bill-mandated support price of $9.90 per hundredweight (cwt.). Under the dairy price support program, USDA indirectly supports the farm price of milk by standing ready to purchase surplus cheese, butter, and nonfat dry milk from processors at a price that should allow the processors to pay at least the support price to farmers for the milk used in the manufacturing of those products. Supporters of this provision argued that the government purchase prices for surplus dairy products are set too low by USDA to support the farm price of milk at $9.90 per cwt. Late in 2002 and in early in 2003 the market price of farm milk used for cheese fell below the $9.90 support price for eight consecutive months. USDA officials say they are evaluating the situation and point out that the authorizing statute for the dairy price support program (P.L. 107-171, the 2002 farm bill) requires USDA to set dairy purchase prices so that the annual farm milk price on average is supported at $9.90, not the monthly price. For more information on the dairy price support program, see CRS Issue Brief IB97011, *Dairy Policy Issues*.

Crop Insurance

The federal crop insurance program is administered by USDA's Risk Management Agency (RMA). It offers basically free catastrophic insurance to producers who grow an insurable crop. Producers who opt for this coverage have the opportunity to purchase additional insurance coverage at a subsidized rate. Most policies are sold and completely serviced through approved private insurance companies that have their program losses reinsured by USDA. The annual agriculture appropriations bill makes two separate appropriations for the federal crop insurance program. It provides discretionary funding for the salaries and expenses of the RMA. It also provides "such sums as are necessary" for the Federal Crop Insurance Fund, which funds all other expenses of the program, including premium subsidies, indemnity payments, and reimbursements to the private insurance companies. Annual spending on the crop insurance program is difficult to predict in advance and is dependent on weather and crop growing conditions and farmer participation rates.

The Administration had estimated that the mandatory-funded Federal Crop Insurance Fund would require an FY2004 appropriation of $3.368 billion, compared with an estimated FY2003 appropriation of $2.886 billion. As is customary, the final consolidated appropriations act (P.L. 108-199) concurs with the Administration's estimate and provides "such sums as may be necessary" for the fund. Legislative enhancements (P.L. 106-224) made to the crop insurance program in 2000 greatly increased the federal subsidy of insurance premiums. The increased subsidy coupled with large program losses associated with the extended drought in various parts of the country have contributed to increased program costs in recent years.

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For the discretionary component of the crop insurance program, P.L. 108-199 provides $71.42 million, as proposed by the Senate, for the salaries and expenses of USDA's Risk Management Agency (RMA). The final FY2004 level is just $87,000 below the original House-passed level, $6.98 million below the Administration's request, but up $1.26 million from the FY2003 enacted level of $70.25 million. The Administration had requested a nearly 12% increase for FY2004, mainly to cover proposed information technology initiatives within RMA.

The Administration request also had contained a legislative proposal to limit the amount of subsidy that accrues to the private insurance companies participating in the program. The House- and Senate-passed versions of the bill, as well as the final act, do not concur with the Administration proposal. The Administration maintains that the increased farmer participation in the program following the 2000 legislative enhancements has resulted in windfall profits for the private insurance companies. Hence, the FY2004 budget request contained a proposal to cap the reimbursement that the private companies receive from the federal government for their delivery expenses at 20% of premium for FY2004 and subsequent years, instead of the current cap of 24.5%. According to Congressional Budget Office estimates, enactment of this proposal would have saved $81 million in FY2004. In report language, the Senate Appropriations Committee stated that the proposed reimbursement limitation would force some private companies out of business, and that the reimbursement rate should be negotiated in the standard reinsurance agreement between the private companies and the federal government, rather than through a legislative mandate.

Separately, the Agricultural Risk Protection Act of 2000 (P.L. 106-224), as amended by the 2002 farm bill, authorized $20 million in each year (FY2003-2007) for an Agricultural Management Assistance program, which assists crop growers in states that are viewed as underserved by the crop insurance program (13 Northeast states, Utah, and Wyoming.) The final consolidated appropriations act (P.L. 108-199) concurs with a Senate-passed provision that requires that $15 million of the funds be used for sharing in the cost of producers' conservation practices, as prescribed in the law, and $2 million for certification of organic growers in the states. In FY2003, the Secretary used virtually all of the $20 million to further subsidize crop insurance premiums of farmers in these states. Current law allows the funding to be used for either conservation or risk management practices, but leaves the mix of spending to the discretion of the Secretary of Agriculture.

Separately, report language in the final conference agreement urges the Secretary to expand the number of states eligible for a pilot livestock insurance program from the current 10 states to the maximum number possible, including Missouri, North Dakota, Ohio, South Dakota, West Virginia, and Wisconsin.

Farm Service Agency

While the Commodity Credit Corporation serves as the *funding* mechanism for the farm income support and disaster assistance programs, the *administration* of these

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and other farmer programs is charged to USDA's Farm Service Agency (FSA). In addition to the commodity support programs and most of the emergency assistance provided in recent supplemental spending bills, FSA also administers USDA's direct and guaranteed farm loan programs, certain conservation programs and domestic and international food assistance and international export credit programs.

FSA Salaries and Expenses. This account funds the expenses for program administration and other functions assigned to the FSA. These funds consist of appropriations and transfers from CCC export credit guarantees, from P.L. 480 loans, and from the various direct and guaranteed farm loan programs. All administrative funds used by FSA are consolidated into one account. For FY2004, the final consolidated appropriations act (P.L. 108-199) provides a total appropriation of $988 million for FSA salaries and expenses, as in the Senate-passed bill and requested by the Administration. The final FY2004 level is below the House-passed level of $1.02 billion, but above the regular annual appropriation of $970.4 million for FY2003. The final FY2004 level also is below the total FY2003 level that included supplemental authority for FSA to tap the CCC for $70 million to cover the administrative costs associated with implementing ad hoc disaster assistance authorized in the emergency provisions of P.L. 108-7.

Report language accompanying the House bill instructed USDA not to shut down or consolidate any local FSA offices unless rigorous analysis proves such action to be cost-effective. The Senate committee also expressed concern about FSA downsizing and directed the Secretary to consider the impact further reductions will have on farm services before considering closing additional offices.

FSA Farm Loan Programs. Through FSA farm loan programs, USDA serves as a lender of last resort for family farmers unable to obtain credit from a commercial lender. USDA provides direct farm loans and also guarantees the timely repayment of principal and interest on qualified loans to farmers from commercial lenders. FSA farm loans are used to finance the purchase of farm real estate, help producers meet their operating expenses, and help farmers financially recover from natural disasters. Some of the loans are made at a subsidized interest rate. An appropriation is made to FSA each year to cover the federal cost of making direct and guaranteed loans, referred to as a loan subsidy. Loan subsidy is directly related to any interest rate subsidy provided by the government, as well as a projection of anticipated loan losses caused by farmer non-repayment of the loans.

The Administration requested an appropriation of $210.7 million for FY2004 to subsidize the cost of making $3.52 billion in direct and guaranteed FSA loans. The enacted FY2003 loan subsidy was $226.8 million to support FSA loans totaling $3.94 billion. Most of the proposed $420 million decline in requested loan authority was accounted for in a proposed $300 million reduction in unsubsidized guaranteed farm operating loans (from $1.7 billion authorized in FY2003 to an estimated $1.4 billion in FY2004). The Administration contends that the proposed reduction in

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funding for this program, which finances farmers' purchases of feed, seed, fertilizer, livestock and machinery, is consistent with historical demand.

The FY2004 consolidated appropriations act (P.L. 108-199) provide cuts in FSA farm loans beyond those requested by the Administration. Conferees provided an appropriation of $196.7 million to subsidize the cost of making $3.26 billion in direct and guaranteed FSA loans in FY2004. The appropriation level is above the $194.3 million provided in the Senate-passed version, but below the House-passed version of $200.2 million. As in the Administration request, most of the reduction in loan authority in the final appropriations act is within the unsubsidized guaranteed operating loan program account.

Natural Resources and Environment

The natural resources and environment mission area within USDA is implemented through the programs of the Natural Resources Conservation Service (NRCS), the Farm Service Agency (FSA), and the Forest Service. (Funding for the Forest Service is provided in the annual Interior appropriations bill.) Conservation spending combines discretionary spending, which has totaled more then $1 billion annually in recent years, and mandatory funding, which is funded through the Commodity Credit Corporation and is estimated to total just under $3 billion in budget authority in FY2004, according to the March 2003 Congressional Budget Office baseline. The NRCS administers all the discretionary conservation programs.

Discretionary Programs. The final FY2004 consolidated appropriations act (P.L.108-199) provides a total of $1.033 billion for the five discretionary conservation line items for FY2004, an increase of $12 million from the FY2003 enacted level of $1.021 billion. The earlier House-passed version of the agriculture appropriations bill (H.R. 2673) provided $1.045 billion, while the Senate-passed version of H.R. 2673 provided $973.2 million. The House version was an increase of $23.5 million from the FY2003 enacted level, while the Senate bill was a decrease of $48.1 million from that amount. The Administration had requested $1.241 billion. The Administration total is difficult to compare directly with congressional amounts because the request included the creation of a new discretionary line item of $432 million to pay for technical assistance in support of the mandatory conservation programs, which would have been funded in part, by taking money from other accounts. The conference committee and both chambers rejected this request. For more information on this issue, see "Technical Assistance Funding," below.

The enacted FY2004 level differs from the House and Senate bills, the Administration request, and the FY2003 funding levels in almost all cases for the five discretionary programs. P.L. 108-199 provides $853.0 million for Conservation Operations, $3.0 million more than the House-passed bill and $23.4 million more than the Senate-passed bill. (The FY2003 appropriation was $819.6 million, and the Administration requested $703.6 million for FY2004). P.L. 108-199 provides $10.6 million for Watershed Surveys and Planning, $0.5 million less than the House bill

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and $0.6 million more than the Senate bill. (The FY2003 appropriation was $11.1 million and the Administration requested $5.0 million for FY2004.) For Watershed and Flood Prevention Operations, P.L. 108-199 provides $87.0 million, $3.0 million less than the House and $32 million more than the Senate. (The FY2003 appropriation was $109.3 million and the Administration requested $40 million for FY2004.) For Watershed Rehabilitation, P.L. 108-199 provides $29.8 million, $10.2 million less than the House bill and the same as the Senate bill. (The FY2003 appropriation was also $29.8 million and the Administration requested $10.0 million for FY2004.) For the Resource Conservation and Development Program, the P.L. 108-199 provides $51.9 million, $1.0 million less than the House bill and $0.9 million more than the Senate bill. (The FY2003 appropriation was $50.7 million and the Administration request was $49.9 million.)

The use of earmarks within two discretionary conservation program accounts, Conservation Operations and Watershed and Flood Prevention Operations, continues to be substantial. The conference committee report identifies 135 earmarks for Conservation Operations, and retains all other earmarks that were in the reports that accompanied both the House and Senate bills. The final consolidated appropriations act includes very few earmarks for Watershed Programs, with some identified in report language and others in the general provisions of the measure. For comparison, the FY2003 appropriation included 214 congressional earmarks with a total value of more than $200 million, according to a compilation prepared by the NRCS budget office. Both the number and total value of earmarks have been growing in recent years, and for both of these accounts, the growth in earmarks has exceeded the growth in overall program funding some years. Some conservation supporters have expressed concern that the increased use of earmarks means that less money is available for those pressing conservation priorities that do not coincide with the earmarked projects and activities. The conference report specifies that these earmarks are to be in addition to state funding allocations, and requires NRCS to report to both appropriations committees on how Conservation Operations funds are being allocated among states within 45 days of enactment.

Mandatory Programs. Annual or total funding levels for each of the mandatory conservation programs is contained in the omnibus 2002 farm bill (P.L. 107-171). (For two of the programs, the Conservation Reserve and the Wetlands Reserve, limits are set in enrolled acres rather than dollars, so savings are made by limiting the number of acres that can be enrolled.) The Conservation Reserve Program (CRP) remains the largest conservation program in FY2004, according to the Congressional Budget Office's August 2003 estimates. Outlays for all mandatory conservation programs are estimated to rise from a total of $2.86 billion in FY2003 to $2.99 billion in FY2004.

However, P.L. 108-199 limits (and in one case completely prohibits) funding for seven of the mandatory programs, for total estimated savings of $240.6 million. These mandatory program adjustments include:

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- limiting enrollment in the Wetland Reserve Program to 189,177 acres instead of 250,000 acres, for an estimated savings of $69.0 million;
- limiting spending under the Environmental Quality Incentives Program (EQIP) by $25.0 million, to $975 million;
- limiting spending under the Conservation Security Program to $41.4 million, which is $11.6 million below the Congressional Budget Office estimate;
- eliminating mandatory spending on the Dam Rehabilitation Program, with a savings of $95.0 million;
- limiting the Ground and Surface Water Conservation Program by $9.0 million, to $51.0 million;
- limiting the Wildlife Habitat Incentives Program by $18 million, to $42.0 million; and
- limiting the Farmland Protection Program (FPP) (also called the Farm and Ranch Lands Protection Program) by $13.0 million, to $112 million.

The total reduction in mandatory programs under the final appropriations act was greater than under the bills that passed either chamber. The House-passed bill limited funding for four programs to a total of $229 million below authorized levels, while the Senate-passed bill limited funding for five programs for an estimated reduction of $204 million. P.L. 108-199 also amends another mandatory program, the Agricultural Management Assistance Program, modifying an amendment that had been adopted in the Senate bill. The final act provides $14 million to conservation programs in 15 specified states, $1 million to organic certification assistance, and $5 million to financial management activities to reduce risk each year from FY2004 through FY2007. This provision responds to an action taken by USDA in FY2003 to channel almost all of the authorized total of $20 million to further subsidize crop insurance premiums.

The Administration's budget submission had proposed to limit total funding for mandatory conservation programs to $285 million below the authorized levels by reducing funding in five programs. In the Administration request, the reduction would have offset part of the cost of establishing a proposed new line item to fund technical assistance in support of mandatory programs, a proposal both chambers rejected (see discussions above and below). P.L. 108-199 concurs with the Administration proposals for the Dam Rehabilitation Program, the Ground and Surface Water Conservation Program, the Wildlife Habitat Incentives Program, and the Farmland Protection Program (now called the Farm and Ranch Lands Program by USDA).

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Technical Assistance Funding. The rapid expansion in funding for conservation programs and activities has increased requests for technical assistance. Technical assistance had been funded in part through the Commodity Credit Corporation (CCC), in part by reprogramming carry-over funds, and in part by using funds from Conservation Operations, a discretionary program, to pay for this assistance. A statutory cap on the use of CCC funds to provide such assistance for mandatory conservation programs, combined with limits from the other sources and rapid growth in these programs, has created a funding shortfall. Congress attempted to address these funding concerns in the 2002 farm bill (P.L. 107-171). However, in late 2002, the Office of Management and Budget, supported by a Department of Justice opinion, ruled that the farm bill did not remove the CCC cap and the Administration would have to continue to limit mandatory technical assistance funding through the CCC.

The Administration initially sought to address this problem by proposing to create a new farm bill technical assistance line item in FY2003, funded at $333 million. This would have provided the technical assistance for all of the mandatory conservation programs (authorized at a total of $1.2 billion), plus the Conservation Reserve Program, a mandatory program authorized in acres rather than dollars. Congress rejected this proposal, and specifically prohibited the use of discretionary funds (funds from the Conservation Operations account) to implement any mandatory conservation programs. This prohibition, combined with a retention of the cap on CCC funds, meant that some of the mandatory programs were significant "donor programs" by funding technical assistance for other programs, thereby leaving less money available to implement their activities. USDA estimated that four programs were donor programs, with the largest donations being made from the EQIP ($107.9 million) and the Farmland Protection Program ($27.6 million).

The Administration again proposed a new discretionary technical assistance line item for FY2004 and Congress again rejected it. P.L. 108-199 includes a provision within each of the five discretionary accounts that prohibits using these funds to pay for technical assistance in support of the mandatory conservation programs. The House bill, as reported, contained a provision prohibiting the spending of funds in the Conservation Operations account for this purpose. This provision was removed in a floor amendment. The Senate bill contained provisions prohibiting funding for technical assistance for mandatory programs from all the discretionary programs except the Resource Conservation and Development Program. The conference committee does not otherwise address the issue. Earlier, during floor debate on the agriculture appropriations bill, the Senate defeated an amendment that would have prohibited technical assistance funding for the Conservation Reserve Program coming from four programs (EQIP, Farmland Protection, Grassland Reserve, and Wildlife Habitat Incentives), so there will again be donor programs among the mandatory programs unless Congress enacts freestanding legislation, such as H.R. 1907, that would prohibit funds in three of the mandatory programs (EQIP, the Grasslands Reserve Program, and Farmland Protection) from being used for technical assistance for any of the other mandatory programs.

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Other Provisions. Also in P.L. 108-199 are general provisions that (1) waive cost sharing requirements for the Emergency Watershed Protection Program to repair or prevent damage to non-federal lands in watersheds that have been affected by fires initiated by the federal government; (2) prohibit making land enrolled in the CRP and planted to hardwood trees ineligible for re-enrollment; and (3) prohibit NRCS from reorganizing regional conservationists and regional offices without approval by the appropriations committees. Additionally, report language for the Office of the Secretary encourages implementation of a new program to establish a conservation corridor along the Delmarva peninsula; encourages a study of cropping techniques in the Upper Midwest; and requires consultation with the agriculture committees before proceeding with possible mergers involving the NRCS and FSA.

Division H of P.L.108-199 also includes conservation provisions that are not part of the regular annual funding for conservation programs. One provision authorizes the Conservation Security Program (CSP) through FY2007 rather than FY2013, and removes a lifetime cap of $3.77 billion on total program spending that was placed on the CSP by the FY2003 consolidated appropriations act (P.L. 108-7) so that the remainder of the estimated spending could be used to offset the cost of disaster assistance. Other separate provisions in the FY2004 consolidated appropriations act make disaster assistance funds available to deal with the resource problems stemming from the wildfires in California during the fall of 2003, including $150 million to the Emergency Watershed Protection Program, $12.5 million to the Tree Assistance Program, and $12 million to the Emergency Conservation Program. The cost of these wildfire assistance provisions is offset by a mandated rescission of $225 million from the Federal Emergency Management Agency (FEMA). The California wildfires are also addressed in the general provisions of the agriculture title, where a provision waives the cost-sharing requirements for funding and assistance under the Emergency Watershed Protection Program.

Agricultural Trade and Food Aid

USDA's international activities include both discretionary and mandatory programs with the former funded by appropriations and the latter funded with borrowing from USDA's Commodity Credit Corporation. Both the discretionary and the mandatory international programs are authorized in the 2002 farm bill (P.L. 107-171). The FY2004 consolidated appropriations act (P.L. 108-199) provides $1.512 billion for discretionary USDA trade programs, namely P.L. 480 food aid, the new McGovern-Dole international food for education program (IFEP), salaries and expenses of USDA's Foreign Agricultural Service, and administrative expenses for CCC export programs. The original House-passed agriculture appropriations bill (H.R. 2673) provided an appropriation of $1.523 billion for these activities, while the Senate-passed version provided an appropriation of $1.487 billion. Most of the difference between the two bills was accounted for by a Senate recommendation of $25 million for IFEP, in contrast to a House-recommended appropriation of $56.9

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million. The conference report resolved this difference by appropriating $50 million for IFEP.

For the mandatory programs, which include both agricultural export and other food aid programs, the Administration's FY2004 budget proposal estimates a program level of around $4.7 billion. The final FY2004 appropriations measure places no new funding limits on the mandatory agricultural trade and food aid programs; it does, however, make permanent a prohibition, first incorporated in appropriations measures in FY1993, on the use of USDA funds to promote the sale or export of tobacco or tobacco products.

Foreign Agricultural Service. For FAS, which administers USDA's international programs, P.L. 108-199 appropriates $132.1 million, considerably less than the $140.8 million requested by the Administration. House and Senate measures had recommended $133.9 million and $131.6 million respectively. Neither measure included the Administration's request for a $5 million USDA contribution to the Montreal Protocol Fund. The Montreal Protocol is an international agreement on limiting substances that deplete the ozone layer. Additionally, P.L. 108-199 allots to FAS the sum of $500,000 for cross-cutting trade negotiations and biotechnology activities. This allocation is part of an appropriation of $3.3 million for such activities. Other USDA agencies that receive trade-biotechnology allotments in the conference report include the Office of the Secretary ($1.165 million), APHIS ($1.0 million), and GIPSA ($150,000).

Food Aid. For P.L. 480 commodity sales and donations, P.L. 108-199 provides an appropriation of $1.326 billion, an amount identical with the Senate-passed amount and only $2 million less than recommended in the House-passed measure. Of that amount, $1.192 billion is for commodity donations for emergency and non-emergency activities under P.L. 480 Title II. USDA administers P.L. 480 commodity sales and IFEP, while the U.S. Agency for International Development (USAID) administers humanitarian donations under P.L. 480 Title II. The conferees direct the Administration not to place arbitrary limits on monetization (i.e., sales of donated commodities for local currencies) under Title II, but rather to base approvals of food aid proposals on the merits of program plans to promote food security and improve people's lives, not on the level of monetization. The FY2004 bill authorizes the transfer to Title II of any balances, recoverables, or reimbursements that remain available to P.L. 480 Title III (a food-for-development program, first established in 1990, that has not received an appropriation in recent years).

The new food aid program, IFEP, authorized in the 2002 farm bill (P.L. 107-171), receives an FY2004 appropriation of $50 million. IFEP will provide commodity donations and associated finance and technical assistance to carry out school and child feeding programs in foreign countries. The 2002 farm bill authorized $100 million of CCC funding for IFEP in FY2003 but stipulated that, beginning in FY2004, IFEP must be funded by appropriations. The bill suggests,

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however, that the Secretary investigate the use of other resources, such as Section 416(b) food aid (see below), to carry out activities consistent with the goals of IFEP.

The appropriation for food aid in P.L. 108-199 is $377.6 million less than the amount appropriated for FY2003. The regular FY2003 appropriation for food aid was augmented by $369 million for P.L. 480 Title II programs in the Emergency Supplemental Wartime Appropriations Act of 2003 (P.L. 108-11). P.L. 108-11 included $69 million toward partial replenishment of releases of commodities from the Emerson Trust used to meet urgent food needs in Africa, Afghanistan, and Iraq; $150 million to finance previously approved but unfunded FY2003 P.L. 480 Title II projects, and $150 million in additional food aid for Africa, Iraq, and Afghanistan.

The President's budget provides no estimate of the value or volume of commodities that could be released from the Emerson Trust (primarily a commodity reserve), which was used extensively in FY2003 to respond to food emergencies in Africa and Iraq. In FY2003, the Secretary of Agriculture announced availability from the Emerson Trust of 200,000 tons of wheat for emergency relief in the Horn of Africa (Ethiopia and Eritrea) and 600,000 tons of wheat for emergency relief in Iraq. Of the total amount made available, only about half was used (400,000 metric tons). USDA estimates that about 1.6 million metric tons of wheat now remain in the trust, which is authorized to hold up to 4 million metric tons of wheat, corn, sorghum, and rice. The appropriations measure provides no additional funding for replenishment of the Emerson Trust. Instead, it limits to $20 million the amount of FY2004 P.L. 480 funds that could be used to reimburse the trust for the release of commodities to meet emergency food aid needs.

Other food aid programs include Food for Progress (FFP) which provides commodities to countries that are introducing and expanding free enterprise in their agricultural economies and Section 416(b) commodity donations. The President's budget envisions $151 million of CCC funding for FFP; some funding for FFP also will come from appropriations for P.L. 480 Title I, which P.L. 108-199 set at $132 million. USDA estimates that about $119 million of surplus nonfat dry milk will be made available as commodity donations under Section 416(b) in FY2004. The conference report accompanying P.L. 108-199 directs the Secretary of Agriculture, to the extent practicable, to make available $25 million in Section 416(b) commodities to mitigate the effects of HIV/AIDS.

Export Programs. Mandatory (CCC-funded) programs to promote exports include the Export Enhancement Program (EEP), the Dairy Export Incentive Program (DEIP), CCC Export Credit Guarantee Programs, the Market Access Program (MAP), and the Foreign Market Development Program (FMDP). None of these mandatory programs require an annual appropriation. In the EEP and DEIP programs, USDA makes cash bonus payments to exporters of U.S. agricultural commodities to enable them to be price competitive when U.S. prices are above world market prices. EEP has been little used in recent years. No EEP bonuses were provided in FY2002 or FY2003. Reflecting this program experience, the President's

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budget assumes a program level of $28 million in FY2004, compared with $478 million authorized for EEP in the 2002 farm bill. Consequently, USDA would retain some flexibility to increase the level of EEP subsidies. For DEIP, the Administration expects a program level of $57 million for FY2004.

The President's budget projects an overall program level of $4.2 billion in FY2004 for CCC export credit guarantee programs, which provide payment guarantees for the commercial financing of U.S. agricultural exports. While this projection is virtually the same as for FY2003, the actual level of guarantees will depend on demand for credit, market conditions, and other factors. Of the amount of guarantees expected to be issued in FY2004, $4 billion would be made available for GSM (General Sales Manager)-102 short-term guarantees of up to 3 years, while GSM-103 intermediate-term guarantees (3 to 10 years) would be allocated $18 million.

For export market development, the budget proposes $125 million for the Market Access Program and $34.5 million for the Foreign Market Development Program, as required by the 2002 farm bill. Both programs support the development and maintenance of export markets for U.S. agricultural products. However, MAP mainly promotes high value products, including brand-name products, while FMDP promotes generic commodities.

Funding for U.S. agricultural export and food aid programs could be affected by ongoing WTO agricultural trade negotiations. The United States has proposed that agricultural export subsidies be eliminated, while the European Union, which opposes complete elimination of such subsidies, has conditioned its willingness to negotiate reductions in export subsidies on the inclusion of export credit programs (such as CCC export credit guarantees) and food aid based on surpluses (such as section 416(b)) on the WTO agriculture negotiating agenda. The EU and other trading partners charge that the U.S. credit program has a subsidy element (although it is much less than the subsidy represented by the EU's own export subsidy program) and gives the United States an unfair competitive advantage in exporting certain agricultural commodities.

The EU and other U.S. trading partners, such as Australia, Brazil, and a number of agricultural exporting developing countries, also have raised the issue of large U.S. food aid shipments in ongoing WTO agriculture negotiations. They have suggested that the United States is using food aid to get around its export subsidy reduction commitments made in the 1994 Uruguay Round Agriculture Agreement. The United States has countered that its food aid shipments, though large, are made in conformity with WTO rules, and are being made available to countries with food needs or used for development programs.

In ongoing WTO agriculture negotiations, the United States has agreed to the principle of establishing new rules and disciplines for export credit guarantees and for food aid. However, those negotiations have not yielded agreements on detailed

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proposals for modifying either program. For more information on the status of negotiations on export credits and food aid, see CRS Report RL32053, *Agriculture in WTO Negotiations*.

Other International Provisions. P.L. 108-199 includes an FY2004 appropriation of $3 million to finance Bill Emerson and Mickey Leland Hunger Fellowships as authorized in P.L. 108-58. These fellowships, administered by the Congressional Hunger Center, honor Emerson and Leland, now deceased, who were, respectively, ranking member and chairman of the House Select Committee on Hunger, which was eliminated along with other House Select Committees in 1995.

Cuba Trade. P.L. 108-199 did not adopt language included in the Senate-passed version of the FY2004 agriculture appropriations bill that would have relaxed the licensing requirement for traveling to Cuba to pursue opportunities to sell agricultural and medical products. The Senate language was reportedly in response to a Treasury Department decision in June 2003 to deny the license application of a firm seeking to organize a food and agribusiness exhibition in Havana in January 2004. The Bush Administration continues to oppose any efforts to relax existing restrictions on eligible agricultural exports to Cuba.

Current U.S. policy is to exempt commercial sales of agricultural and medical products from U.S. unilateral sanctions imposed on foreign countries, subject to specified conditions and prohibitions. Debate continues, though, among policymakers on the scope of the statutory restrictions that should apply on agricultural sales to Cuba. Members of Congress opposed to the Cuba-specific prohibitions have introduced bills in the 108th Congress proposing to effectively repeal them. For more information on this issue, see the CRS Electronic Briefing Book, *Trade*, page on *Economic Sanctions and Agricultural Exports*.

Agricultural Research, Extension, and Economics

Four agencies carry out USDA's research, education, and economics (REE) function. The Department's intramural science agency is the Agricultural Research Service (ARS), which performs research in support of USDA's action and regulatory agencies, and conducts long term, high risk, basic and applied research on subjects of national and regional importance. The Cooperative State Research, Education, and Extension Service (CSREES) is the agency through which USDA sends federal funds to land grant Colleges of Agriculture for state-level research, education and extension programs. The Economic Research Service (ERS) provides economic analysis of agriculture issues using its databases as well as data collected by the National Agricultural Statistics Service (NASS).

With the exception of recent years in which USDA research agencies have received supplemental funds for antiterrorism activities, the agricultural research budget, when adjusted for inflation, has remained flat for almost 30 years. Furthermore, current financial difficulties at the state level are causing some states

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to reduce the amounts they appropriate to match the USDA formula funds (block grants) for research, extension, and education (100% matching is required, but most states have regularly appropriated two to three times that amount). A combination of cuts at the state and federal levels can result in program cuts as far down as the county level. In 1998 and 2002 legislation authorizing agricultural research programs, the House and Senate Agriculture Committees tapped sources of available funds from the mandatory side of USDA's budget and elsewhere (*e.g.*, the U.S. Treasury) to find new money to boost the availability of competitive grants in the REE mission area. From FY1999 through FY2003, the Appropriations Committees prohibited the use of those mandatory funds for the purposes the Agriculture Committees intended; however, from FY1999 through FY2002, and now again for FY2004, the appropriations conference committees have allocated more funding for ongoing REE programs than were contained in either the House or Senate appropriations bills. Nonetheless, agricultural scientists, stakeholders, and others currently are concerned that higher military spending and lower tax revenues may return the REE mission area to a period of static or shrinking appropriations.

Agricultural Research Service. The FY2004 consolidated appropriations Act (P.L. 108-199) provides $1.15 billion for ARS, an amount higher than both the House- ($1.05 billion) and Senate-passed ($1.09 billion) appropriations bills. This represents essentially level funding with the regular appropriation for ARS in FY2003, excluding the $110 million one-time supplemental appropriation that ARS received in P.L. 108-11 for construction at the National Animal Disease Laboratory in Ames, Iowa.

P.L. 108-199 allocates $1.1 billion of the total FY2004 ARS appropriation to support the agency's research programs, and $63.8 million to support the modernization and construction of ARS facilities. This will provide nearly $54 million in additional funds for research over FY2003, but represents nearly a $55 million decrease in spending for facilities ($118.7 million in FY2003, excluding the supplemental). The research allocation in P.L. 108-199 is $75 million more than that contained in the House bill and $43.4 million more than in the Senate bill.

Of the $63.8 million appropriated in FY2004 for facility construction and modernization, $10.5 million is allocated for laboratory security upgrades (the Administration had requested $22 million for ARS construction, nearly all for security upgrades), and the balance is designated for construction projects at eighteen different ARS locations. The House bill would have provided $36 million for building projects, and the Senate measure $46 million. The Senate bill provision to provide $2 million for renovations at the National Agricultural Library in Beltsville, Maryland, was not adopted. FY2004 conferees included report language requiring ARS to submit prospectuses on construction projects and to assist the committees in setting priorities to guide future appropriations.

As in past years, the Administration's budget request for ARS assumed the discontinuation of several dozen congressionally earmarked research projects and

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directed the savings to other research areas that the agency considers to have higher priority. Again as in the past, the FY2004 act reflects the appropriators' rejection of that proposal, and provides continued funding for all the projects at FY2003 levels. (The House appropriations committee report for FY2004 also contains language stating that in future years the Administration will be expected to defend and explain why each research program should be terminated.) However, the conferees did include in the Act the Administration's proposal to reprogram roughly $12 million from lower-priority research areas into special initiatives on emerging diseases, global climate change, biosecurity, and genomic sequencing. Every 5 years, ARS evaluates its programs and revises its research plan. Reprogramming is the outcome of this process.

Cooperative State Research, Education, and Extension Service. P.L. 108-199 provides total FY2004 funding of $1.120 billion for CSREES, an amount $2.4 million higher than the FY2003 appropriation. This amount is $11 million higher than the House bill and $1.8 million more than the Senate bill provisions.

Within the agency's budget, P.L. 108-199 allocates $621.4 million for research and education funding for the states, which is $4.65 million above FY2003, $24 million above the House bill allocation, $3.9 million above the Senate provision, and $107.2 million above the FY2004 budget request. Block grants to the states to support agricultural experiment station research (under the Hatch Act of 1887) at the 1862 land grant universities are funded at $180 million, level with FY2003. Grants for research at the 1890 (historically black) land grant institutions are funded at $36 million, essentially level with the FY2003 appropriation of $35.6 million. Conferees appropriated $1.1 million to supplement money distributed from the endowment fund to support research at the 1994 (tribally controlled) land grant institutions ($1.7 in FY2003).

For state extension programs, P.L. 108-199 designates $441.7 million, which represents an $8.8 million decrease from FY2003. The House bill contained $439.7 million for extension, and the Senate bill $442 million. Block grants to the states to support extension programs (under the Smith-Lever Act of 1914) at the 1862 land grant universities are funded at $279.4 million, a decrease from $281.2 million in FY2003. Grants for extension programs at the 1890 institutions are funded at $31.9 million, essentially level with the $32.1 million appropriated in FY2003. P.L. 108-199 provides $2.9 million to support extension programs at the 1994 institutions ($3.4 million in FY2003).

For the fairly new category of multi-state research projects that have both research and extension components (authorized in1998), the FY2004 consolidated appropriations act provides $50.5 million, which is a $4.1 million increase over FY2003, and a $4 million increase over the Senate bill provision, but a $12.4 million decrease from both the budget request and the House bill.

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The act contains increased funding for an outreach program for socially disadvantaged farmers, from $3.5 million in FY2003 to $6 million in FY2004, an amount that is higher than both the budget request ($4 million) and the funding contained in the Senate bill (which provided level funding), but lower than the House bill provision ($8.5 million).

As in past years, the Administration proposed to eliminate all but about $3 million in earmarked research and extension grants to specified land grant schools (special research grants). Congress traditionally has never adopted such proposals. P.L. 108-199 contains $111.3 million, essentially level funding with FY2003 ($112 million); the House and Senate bills would have provided about $100 million for special research grants. For USDA major competitive, peer-reviewed grant program, the National Research Initiative (NRI), P.L. 108-199 appropriates $165 million, essentially level funding with the FY2003 appropriation of $167 million, which was the highest in the program's 13-year history (authorized at $500 million annually since 1994). The NRI would have received $149 million and $180 million, respectively, in the House and Senate bills. The FY2004 budget request was for $200 million.

P.L. 108-199 includes (as did the House and Senate bills) the Administration's request to continue to deny funding to carry out the Initiative for Future Agriculture and Food Systems competitive grants program. This program (which is not subject to annual appropriations) was established in 1998, was reauthorized in the 2002 farm bill (P.L. 107-171), and is authorized to receive $120 million annually in government mandatory funds. Grants were awarded under the initiative in FY2000 and FY2001, but appropriators prohibited the funds to be used for that purpose in FY2002 and FY2003. Language in P.L. 108-199 concurs with a Senate bill provision giving the Secretary discretionary authority to make 20% of NRI funds available for competitive grants under the terms and conditions of the initiative. This means that approximately $30 million of the $165 million NRI appropriation could be awarded as initiative grants in FY2004. Both grant programs support fundamental research on subjects of national, regional, or multistate importance to agriculture, natural resources, human nutrition, and food safety, among other things.

Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). P.L. 108-199 includes the House bill provision to appropriate $71.4 million for ERS. This represents a $2.7 million increase over FY2003, a $1.5 million increase over the Senate bill, but $5.3 million decrease from the amount requested by the Administration. For NASS, the act contains FY2004 funding of $128.9 million, as proposed in the Senate bill, which is about $1 million less than the House provision, $7.3 million less than the budget request, and $9.5 million less than the FY2003 level.

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Food Safety

USDA's Food Safety and Inspection Service (FSIS) conducts mandatory inspection of meat, poultry, and processed egg products to insure their safety and proper labeling. The FY2004 consolidated appropriations act (P.L. 108-199) provides $784.5 million for FSIS, roughly the amount contained in both the House and Senate bills. It represents a $29.7 million increase over FY2003, but it is $12.6 million below the Administration's request.

The FY2004 conference report contains language from the House bill directing the agency to use the increase to hire additional inspectors, provide more scientific training, and conduct more sampling for pathogens that cause human illness, among other things. P.L. 108-199 also includes the Administration's request for $1.65 million to be used solely to pay for microbiological testing of meat and poultry samples at commercial laboratories, in order to support the goal of establishing a valid and reliable baseline against which to measure risks and performance. Report language also expresses concern over the validity of FSIS determinations of the "equivalency" of foreign meat and poultry inspection systems that are authorized to export to the United States. FSIS is required to present a report to Congress by March 1, 2004, documenting the process for determining equivalency, and explaining recent changes in the agency's system for reinspecting meat imports at U.S. ports of entry. A provision in the Senate bill to prohibit USDA from spending any funds to inspect downed (non-ambulatory) animals was not included in the conference agreement (meaning that they could not receive federal inspection for use as human food). However, because the first case of bovine spongiform encephalopathy (BSE, or mad cow disease) was identified in a downer cow in the state of Washington in December 2003, FSIS has since instituted new regulations banning downed animals from entering slaughtering plants.

In addition to annual appropriations, FSIS traditionally has had access to user fees collected from industry for laboratory accreditation and for overtime and holiday inspection. Approximately $101 million is made available annually from this account to support the inspection program. The President's budget request contained a proposal to change the definition of "overtime" to mean any hours that a firm might be operating beyond one 8-hour daytime shift. This would significantly raise the amount of fees collected from industry and diminish the proportion of inspection paid for by tax dollars. Congress has never agreed to similar proposals in the past, saying that assuring the safety of the food supply is an appropriate function of the federal government. In keeping with the House and Senate bills, which disregarded the Administration's proposal, the FY2004 appropriations act does not address it.

Marketing and Regulatory Programs

Animal and Plant Health Inspection Service (APHIS). The largest appropriation for USDA marketing and regulatory programs goes to the Animal and Plant Health Inspection Service. APHIS is responsible for protecting U.S. agriculture

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from foreign pests and diseases, responding to domestic animal and plant health problems, and facilitating agricultural trade through science-based standards. Under the FY2004 consolidated appropriations act (P.L. 108-199), APHIS receives $725.6 million. This is $32.9 million more than FY2003 (see next paragraph), $25.7 million more than the Administration's request, $13.5 million more than the Senate-passed bill, and $4.9 million less than the House-passed bill. Of the $725.6 million in P.L. 108-199, $720.6 million is for salaries and expenses, and $5 million is for buildings and facilities, the latter of which matches the Administration's request and both the House and Senate versions.

The FY2003 amount that is comparable to the FY2004 appropriation is $692.7 million. This equals the FY2003 appropriation of $730.7 million, after rescission, minus $38 million transferred to the new Department of Homeland Security (DHS). On March 1, 2003, approximately 2,680 APHIS border inspectors and the Plum Island Animal Disease Center became part of DHS under P.L. 107-296. Separate FY2004 appropriations for USDA and DHS reflect this new division of responsibilities. DHS now conducts agricultural inspections at the border, but APHIS continues to set agricultural inspection policies, conduct preclearance, supervise training, and inspect passengers and cargo entering the mainland from Hawaii and Puerto Rico. USDA continues to collect the user fees that fund much of the agriculture border inspection program and will reimburse DHS for inspections performed. In FY2004, USDA expects to collect $285 million in such fees and transfer $178 million to DHS.

APHIS activities are divided into five program functions, plus a contingency fund. P.L. 108-199 funds the pest and disease exclusion function at $152.5 million, an increase of $6 million from FY2003, but $3.4 million less than the Administration's request ($5.9 million less than the House and $4.5 million more than the Senate). Plant and animal health monitoring is funded at $139.3 million, an increase of $6.3 million from FY2003, but $3 million less than the Administration's request ($430,000 less than the House, and $2.4 million more than the Senate). Pest and disease management rises prominently to $333 million, an increase of $15.8 million over FY2003, and $35.5 million over the Administration's request ($4.2 million above the House and $920,000 above the Senate). The increase for scientific and technical services is $13.8 million over FY2003 and $6.1 million above the Administration's request ($2.3 million below the House and $10 million above the Senate). The contingency fund and animal care function adopt the Senate-passed levels, and are very similar to FY2003, the Administration's request, and the House.

Within the pest and disease management function, P.L. 108-199 provides an increase of $18.3 million for emerging plant pests (totaling $93.7 million), $5.2 million more than the Senate, but $2.5 million less than the House. This increase is allocated with $8 million for citrus canker, $4 million for Asian long-horned beetle, $4.8 million for glassy-winged sharpshooter, and $1.5 million for Emerald Ash Borer. The conferees request reports from USDA on controlling Emerald Ash Borer (by March 1, 2004) and Asian long-horned beetle (by January 1, 2004). The

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agreement also increases funding for chronic wasting disease by $3.6 million (totaling $18.6 million), $1.8 million more than the House but $1.4 million less than the Senate. Appropriations also rise for control of grasshoppers, Mormon crickets, cormorants, and other pests and diseases.

As in past years, Congress encourages the Secretary to transfer funds from other Departmental accounts (generally the Commodity Credit Corporation (CCC)) for emergency eradication and indemnification programs. The agency transferred over $390 million in CCC funds for such purposes in FY2003. (Separately, the conference report notes that $10 million of CCC funds should be used for tree replacement and indemnification for losses due to citrus canker in Florida.)

In the plant and health monitoring function, the conferees increase emergency management systems by $640,000, partially to increase the number of available doses of foot and mouth disease (FMD) vaccine. P.L. 108-199 funds a $2 million biosecurity program, in addition to other funds related to agroterrorism preparedness, such as database development and veterinary diagnostics. The conferees instruct the Secretaries of Agriculture and Homeland Security to coordinate efforts to assist states with agroterrorism preparedness. They also direct that diagnostic work at Plum Island should remain focused on agriculture.

Regarding cost sharing, P.L. 108-199 incorporates a Senate provision prohibiting funds from being used to issue a final rule that would have required states to match certain federal funds. Conferees also adopted another Senate amendment allowing citrus canker assistance funds (in the Agricultural Assistance Act of 2003) to be used for tree replacement.

P.L. 108-199 reflects language from a Sense of the Senate amendment that USDA should not allow imports of live cattle from any country known to have BSE (bovine spongiform encephalopathy, also known as "mad cow disease") unless the country complies with guidelines of the World Organization for Animal Health.

Agricultural Marketing Service. AMS is responsible for promoting the marketing and distribution of U.S. agricultural products in domestic and international markets. The FY2004 consolidated appropriations act (P.L. 108-199) provides budget authority of $94.2 million for AMS in FY2004, compared with the House-passed level of $92.7 million and the Senate-passed level of nearly $94 million. The Administration request was $91.8 million; $91.5 million was provided in FY2003. The AMS levels include annual appropriations for marketing services and for payments to states and territories. Conferees approved the Senate's additional $2 million in FY2004 budget authority for payments to states and territories (funded last year at $1.3 million), and earmarked the $2 million increase specifically for the Wisconsin Department of Agriculture, Trade, and Consumer Protection for the creation of specialty markets.

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More than $15 million of the AMS appropriation represent funds transferred from the permanent Section 32 account. Further, AMS uses additional Section 32 monies (not reflected in the above totals) to pay for government purchases of surplus farm commodities that are not supported by ongoing farm price support programs. (For an explanation of this account, see CRS Report RS20235, *Farm and Food Support Under USDA's Section 32 Program*.) Also not included in the above AMS budget authority levels are approximately $195 million in various user fees that fund numerous agency activities.

The Senate appropriations committee report encourages USDA to use all existing Section 32 authorities to continue the $6 million Fruit and Vegetable Pilot Program (providing free fresh fruits and vegetables to students in 25 schools), authorized under Section 4305 of the 2002 farm bill (P.L. 107-171). On a separate but related matter, the report also notes that Section 10603 of the farm bill requires USDA to purchase at least $200 million annually of fruits, vegetables, and other specialty crops, and reminds the Department that farm bill report language expected that the purchases were to be in addition to any existing purchases. So far, USDA has interpreted the farm bill language by counting existing purchases toward the $200 million minimum. In another area, the Senate report notes that it was including, in the committee's recommended increase for AMS, an additional $477,000 (for a total of $1.5 million) for the National Organic Program, which, the report stated, should be used to hire an executive director for the National Organic Standards Board, create a peer review panel to oversee USDA's accreditation process for organic certifiers, and pay expenses for volunteer technical advisers to the program.

Country-of-Origin Labeling. The 2002 farm bill (P.L. 107-171) contained a requirement that many retailers provide country-of-origin labeling (COOL) for fresh fruits and vegetables, ground and fresh cuts of red meats, wild and farmed fish, and peanuts, starting on September 30, 2004. P.L. 108-199 delays most implementation for 2 years. The new implementation date is September 30, 2006, for all covered commodities except wild and farmed fish, which are still subject to the original deadline. The House-passed bill had included a provision, added in committee, to prohibit the use of FY2004 funds to implement COOL for meats only. A House floor amendment to strike this committee provision was defeated, 208-193. The Senate version had not included a delay in COOL implementation. Rather, the full Senate had approved a resolution insisting that conferees not agree to the House position. (For background, see CRS Report 97-508 ENR, *Country-of-Origin Labeling for Foods*.)

Grain Inspection, Packers, and Stockyards Administration. GIPSA establishes the official U.S. standards, inspection and grading for grain and other commodities, and ensures fair-trading practices, including in livestock and meat products. GIPSA has been working to improve its understanding and oversight of livestock markets, where increasing concentration and other changes in business relationships have raised concerns among some producers about the impacts of competition on farm prices. The consolidated FY2004 appropriations act (P.L. 108-

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199) provides an appropriation of $35.9 million for GIPSA salaries and expenses. As approved by the House, H.R. 2673 would have provided $39.7 million, the same level as in FY2003 and $2 million below the Administration request. The Senate-passed version would have set the GIPSA appropriation at $35.6 million in FY2004, approximately $4 million below FY2003 and $6 million below the Administration request.

In addition to the annual appropriation, another $42.5 million is expected to be collected through existing GIPSA user fees. Neither the House- nor Senate-passed bill assumed adoption of the Administration's proposal for new user fees in FY2004 to replace $28.8 million in appropriations. Approximately $5 million of the proposed new fees would have come from charges for the costs of developing, reviewing, and maintaining official U.S. grain standards; the other $24 million would have come from new license fees imposed on packers, live poultry dealers, poultry processors, stockyard owners, market agencies, dealers and swine contractors covered by the Packers and Stockyards Act (PSA). In their report, conferees expressed concern about the Secretary's transfer in July 2003 of $2 million from the salaries and expenses account to the user fee account for grain export inspection and weighing services. Conferees directed the Administration to "take all necessary steps to adopt and implement a fee structure that fully funds the services provided."

Report language accompanying the original House committee-reported appropriations bill notes that no resources are provided for packer audits. The Administration requested $1 million in FY2004 GIPSA funds to implement a new pilot program to audit the four largest beef packers, intended for "better financial protection to the regulated industries through heightened financial scrutiny of the Top Four." Also, $500,000 was proposed to conduct a comprehensive, industry-wide review of the PSA and its regulations. The Act has not undergone a comprehensive review since its enactment in 1921 despite "dramatic structural changes" in the industry since then, USDA observed. After receiving industry participant input, "GIPSA will clarify its views on competition in the industries it regulates. These activities may result in future increases in the number and complexity of investigations conducted by GIPSA and the monies recovered or returned to the regulated industries," the Department added in its proposal.

The House Appropriations Committee stated in its report that it "continues to be concerned about the economic impacts of packer control, feeding, or ownership [of livestock] on local communities." Observing that it had provided FY2003 funding "for a comprehensive, objective study of the issues surrounding a ban on packer ownership," the committee states that it expects the Department to provide regular updates on its progress.

The Administration's FY2004 budget summary also noted that some of the new funds proposed for the Secretary's office for "crosscutting" trade and biotechnology activities may be provided to GIPSA for its expanded biotechnology activities. P.L.

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108-199 earmarks $150,000 to GIPSA for these purposes, out of a total of $3.3 million provided by conferees to all of USDA for this request.

Rural Development

USDA's stated rural development mission is to enhance rural communities by targeting financial and technical resources in areas of greatest need. Three agencies established by the Agricultural Reorganization Act of 1994 (P.L.103-354) are responsible for this mission area: the Rural Housing Service (RHS), the Rural Business-Cooperative Service (RBS), and the Rural Utilities Service (RUS). An Office of Community Development provides community development support through Rural Development's field offices. The mission area also administers the rural portion of the Empowerment Zones and Enterprise Communities Initiative, the Rural Economic Partnership Zones, and the National Rural Development Partnership.

The FY2004 consolidated appropriations act (P.L. 108-199) provides a total appropriation of $2.462 billion for USDA rural development programs, which in part supports an $11.098 billion loan authorization level for rural economic and community development programs. The Senate and House measures recommended approximately $131 million and $65 million more, respectively, in budget authority and $36 million and $1.386 billion more, respectively, in loan authorization level than the conference agreement provides. P.L. 108-199 also provides $170 million more in budget authority and $3.203 billion more in loan authorization than the Administration's requested appropriation.

Reductions in Mandatory Spending and General Provisions. In general provisions, P.L. 108-199 prohibits the expenditure of any funds to carry out several mandatory rural development programs authorized by the 2002 farm bill (P.L.107-171). Each of these programs is funded through the borrowing authority of USDA's Commodity Credit Corporation, and does not require an annual appropriation. The provisions prohibit the use of appropriated funds for the salaries and expenses associated with these programs, which effectively blocks funding for these programs. In total, P.L. 108-199 prohibits $293 million in mandatory rural development spending for the following programs: The Rural Strategic Investment Program (Congressional Budget Office-estimated savings of $100 million); the Rural Firefighters and Emergency Personnel Program ($10 million); Enhancement of Rural Access to Broadband Services ($20 million); the Renewable Energy Systems and Energy Efficiency Improvements Program ($23 million); the Rural Business Investment Program ($100 million); and the Value-Added Agricultural Product Market Development Grants program ($40 million).[1] While the original House-passed bill recommended prohibiting expenditures to carry out the Value-Added

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[1] While funding to carry out the Rural Business Investment Program is prohibited, an exemption is made for funds used to begin initial review of grant applications for the program.

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grants program, the Senate bill did not contain this prohibition. The Senate bill recommended that no funds be spent to carry out provisions of the Rural Business Investment Program ($100 million). The House bill did not contain this provision.

While prohibiting the mandatory funding for the Renewable Energy Systems and Energy Efficiency Improvements Program, P.L. 108-199 does provide $23 million in funding for the program, bringing budget authority to the level authorized in the 2002 farm bill, but doing so through a discretionary appropriation. Both the House- and Senate-passed bills contained this recommendation. P.L. 108-199 also includes bill language to provide guaranteed loans for this program, and also provides $15 million in discretionary funding for the Value-Added grants program.

In other general provisions, P.L. 108-199 provides $1.5 million for the Northern Great Plains Regional Authority, half of the amount recommended by the Senate bill. The Authority was created in the 2002 farm bill and authorized at $30 million each fiscal year, FY2002-FY2007. This is the first year that funding has been provided for the program. P.L. 108-199 also provides $1 million to the Denali Commission for improving solid waste disposal sites that currently threaten rural drinking water supplies in Alaska. This was also half the amount recommended by the Senate measure. The House bill did not make recommendations for these programs.

Rural Community Advancement Program (RCAP). The RCAP, authorized by the 1996 farm bill (P.L.104-127), consolidates funding for 13 rural development loan and grant programs into three accounts: Community Facilities, Rural Utilities, and Business-Cooperative Development. RCAP was designed to provide greater flexibility in targeting financial assistance to local needs and permits a portion of the various accounts' funds to be shifted from one funding stream to another. P.L. 108-199 provides $757.4 million in budget authority for the three RCAP accounts, approximately $10 million less than the Senate-passed measure, $56 million more than the House-passed bill, and $280 million more than requested by the Administration.

Within the three streams of RCAP funding, P.L. 108-199 provides funding of $76 million for the Community Facilities account. Through earmarking, the conference agreement provides $30 million for the Rural Utility Service's High Energy Cost Grants account (by transfer) and $22 million for Economic Impact Initiative Grants for facilities in communities with high unemployment/economic depression. These amounts are $2 million and $1 million less respectively than the Senate-passed bill had recommended. The House-passed bill made no recommendation for these programs. P.L. 108-199 also adopts the Senate and House bill recommendations directing $6 million of the funding for rural community programs for a Rural Community Development Initiative targeting low-income rural areas and Native American Tribes. The Senate bill noted that demand for the direct community facilities loan program far exceeds available funding, and, in report language, encouraged the Department to consider establishing a program level of

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$500,000,000 to meet these demands. The conference agreement does not include this language.

For the Rural Utilities account within RCAP, P.L. 108-199 provides $605 million. The account supports water and waste-water loans and grants and solid waste grants and is, by far, the largest of the three RCAP accounts. As with the House and Senate bills, language is included in the conference agreement that further earmarks RCAP water/waste-water funding for Native American Tribes ($24 million), Alaska Native villages ($28 million), and the *Colonias* ($25 million) along the U.S.-Mexican border. The Senate bill had recommended $30 million for Alaska villages, while the House measure made no such earmark P.L. 108-199 also provides $13 million for the circuit rider program and earmarks two additional circuit rider contracts for Alaska. The circuit rider program provides technical assistance to small rural water and waste-water systems. P.L. 108-199 further earmarks approximately $12.6 million of the RCAP account for water and waste-water development in Empowerment Zones/Enterprise Communities and Rural Economic Area Partnerships, about $10 million more than the Senate had recommended and the same as recommended by the House measure. P.L. 108-199 also earmarks $2 million for grants to statewide private non-profit television stations, $3 million less than the Senate recommendation. P.L. 108-199 also provides $1 million for improvements to individually owned water wells, half of the amount recommended by the Senate. The House made no recommendation for the program.

Finally, P.L. 108-199 provides $76.5 million for the Rural Business Services account within RCAP, which is $5 million and $3.5 million more than the House and Senate recommendations, respectively. P.L. 108-199 also earmarks $8.5 million for business development in Empowerment Zones/Enterprise Communities and Rural Economic Area Partnerships.

Rural Housing Service. For the RHS, P.L. 108-199 provides a $1.376 billion appropriation for FY2004, which in part supports a total rural housing loan authorization of $4.362 billion. P.L. 108-199 provides $129.5 million and $147.7 million less in total budget authority than recommended by the Senate and House measures respectively, and is $170 million less than requested. This reduced budget authority, however, supports a loan authorization level that is only slightly less than the House recommendation and about $9 million more than the Senate recommendation. P.L. 108-199 provides a loan authorization level of $4.092 billion for Section 502 single family guaranteed loans, the largest account of the Rural Housing Insurance Fund portfolio. The Senate-recommended loan authorization level and Administration request for this account are slightly less than this amount and are the same as recommended by the House bill.

P.L. 108-199 provides $232 million in housing loan subsidies, with Section 502 single family loans accounting for half of the direct subsidies ($165.9 million). This is $667,000 more than the Senate recommendation and $79,000 less than the House recommendation, but $19.6 million more in total subsidies than requested. P.L. 108-

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199 provides approximately $50 million for Section 515 rental housing subsidies, the same as recommended by the House bill and only slightly less than the Senate recommendation.

For the Rural Rental Assistance program, P.L. 108-199 provides $584 million. This is $137 million and $147 million less, respectively, than the Senate and House recommendations and $156 million less than the budget request. Conferees included report language expressing concern that past Section 521 rental assistance budget requests have been overstated, resulting in substantial unliquidated balances in that account. In particular, the conferees note that appropriations for 5-year rental assistance contracts have been sufficient for an average period of 6.5 years. Accordingly, P.L. 108-199 changes the contract term from 5 years to 4 years. The conferees also provide the Secretary with the authority to carry over unexpended funds at the completion of the 4-year contract period.

P.L. 108-199 also provides $46.2 million for the rural housing assistance grants, the same as recommended by the Senate and $4 million more than recommended by the House bill. For the farm labor account, P.L. 108-199 provides $36.3 million, the same as recommended by the House and $3.3 more than recommended by the Senate. P.L. 108-199 also provides $34 million for the mutual and self-help housing grants, the same as recommended by the Senate and only slightly less than the House bill recommendation.

P.L. 108-199 does not include the Senate recommendation to provide $2 million for the Historic Barn Preservation Program authorized by the 2002 farm bill.

Rural Utilities Service. P.L. 108-199 provides a total appropriation of $102.3 million for rural utility programs, which supports, in part, a loan authorization level of $6.681 billion. This is $18.7 million more in budget authority than recommended by the House-passed bill and $4 million less than in the Senate-passed bill. It is also $1.390 billion more in loan authorization than recommended by the House bill, $45 million less than the Senate recommendation, and $3.160 billion more than the Administration requested. Budget authority for the Rural Electrification and Telecommunications Loan account is approximately the same as recommended by both the House and Senate bills. P.L. 108-199 adopts the loan authorization level recommended by the Senate bill. This level is $950 million more than the House bill and $2.47 billion more than requested. As recommended by both the House and Senate bills, and as requested by the Administration, P.L. 108-199 effectively terminates electric and telecommunication loan subsidies.

For the Rural Telephone Bank (RTB), P.L. 108-199 provides $173.5 million in FY2004 loan authorization, but no loan subsidies. This is the same as proposed by the Senate bill. The House bill recommended neither loan authorization nor direct loan subsidies for RTB, the same as requested by the Administration. In furtherance of the privatization of the RTB, the conferees also include a provision limiting the retirement of Class A stock in the RTB.

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In other RUS programs, P.L. 108-199 provides an FY2004 loan authorization level of $300 million for the Distance Learning and Telemedicine program, $250 million more than requested, but the same as recommended by both House and Senate bills. P.L. 108-199 also provides $39 million in grants for this program, $14 million more than the House recommendation and $1 million less than the Senate recommendation. P.L. 108-199 also provides a loan authorization level of $602 million for rural broadband telecommunications, $266 million more than recommended by the House and requested by the Administration, and $45 million less than recommended by the Senate bill. For broadband direct loan subsidies and grants, P.L. 108-199 provides $13.1 million and $9 million respectively. This is $19 million more than recommended by the House bill and $4 million less than recommended by the Senate measure. No funding was provided for broadband direct loan subsidies in FY2003. For purposes of loans and grants under these programs, P.L. 108-199 also adopts the Senate definition of a rural area as one outside an incorporated city or town and with a population of 20,000 residents or less.

Rural Business-Cooperative Service. P.L. 108-199 provides an FY2004 appropriation of $84 million for the RBS accounts to support rural business development and expansion. This is $12 to $13 million more than the levels recommended by the House and Senate bills and $46 million more than requested. P.L. 108-199 adopts the loan subsidy and authorization levels for the Rural Development Loan Fund as recommended by the House and Senate bills and as requested by the Administration. P.L. 108-199 also adopts the Senate recommendation to provide $15 million in loan authorization for the Rural Economic Development Loan account, approximately $1 million less than the House measure and the same as requested. For Rural Cooperative Development grants, P.L. 108-199 provides $24 million. This is $11 and $15 million more respectively than the House and Senate measures.

Within the RBS appropriation, P.L. 108-199 provides an FY2004 appropriation of $12.7 million for the Empowerment Zone/Enterprise Community Initiative (EZ/EC), approximately $1.7 million more than the House measure and $1.7 less than the Senate recommendation. The Administration made no funding request for the program. The conference report also provides $1 million for the two rural EZs (Aroostook County, Maine and Middle Rio Grande FUTURO communities) chosen in Round III of the Empowerment Zone competition.

For more information on USDA rural development programs, see the CRS Electronic Briefing Book, *Agriculture Policy*, page on "Rural Development," at [http://www.congress.gov/brbk/html/ebagr22.html].

Food and Nutrition Programs

The FY2004 consolidated appropriations act (P.L. 108-199) provides total funding of $47.3 billion for USDA nutrition programs, an increase of $5.4 billion over FY2003 spending for these programs. The final amount is higher than the $44.2

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billion recommended by the Administration, the $46.3 billion proposed by the Senate, and the $44.1 billion proposed by the House because of higher than originally projected unemployment resulting in greater participation in income-tested programs. Food and Nutrition programs include the food stamp program, child nutrition programs (e.g., school lunch, breakfast, summer food, child care, special milk, etc.), the special supplemental nutrition program for women, infants and children (WIC), and various commodity donation programs.

The food stamp program, the largest of the federal nutrition programs, is expected to serve over 21 million people in FY2004, according to Administration estimates. For FY2004, Congress agreed to total funding of $30.9 billion for food stamp and related programs. This is $4.6 billion more than FY2003 spending; $3.2 billion more than the Administration request and House proposal, and $1 billion more than the Senate proposal. The final amount funds food stamp expenses (food benefits, administration, and the Food Distribution Program on Indian Reservations) at $26.4 billion, the food stamp contingency reserve at $3 billion, $1.4 billion for Puerto Rico and American Samoa, and $140 million for the emergency food assistance program (EFAP). Food stamp expenses are funded at the Senate proposed level ($2.2 billion more than the Administration request and House proposal) because more recent projections indicate higher than originally expected unemployment. Another difference between the finally enacted amount and the Administration, House, and Senate proposals is in the reserve fund, which was raised from $2 billion to $3 billion. Other food stamp related programs (Puerto Rico and American Samoa and EFAP) are funded at the same levels as were proposed by the House and Senate bills but slightly more ($5 million) than the Administration request. The final law also contains language amending the Food Stamp Act to ensure that food stamp benefits in FY2004 for Alaska and Hawaii are not lower than those in FY2003.

Child Nutrition programs receive a total of $11.417 billion[2] under the finally enacted law. This is $837 million more than FY2003 spending for these programs, and $1 million less than was proposed by the Administration and the House- and Senate-passed bills. The difference reflects a reduction from $6 million to $5 million for a certification study by the FNS. Child nutrition funding is used to assist with the costs of meal service programs in schools, child and adult care, and summer and after-school programs, milk programs, and related nutrition and administrative support. The largest program, the school lunch program, served subsidized meals to some 28.7 million children in FY2003. For FY2004 it would receive an estimated $6.7 billion and serve 29.1 million children, according to USDA estimates. Conference report language encourages the Secretary of Agriculture to take action to prevent purchases for the school lunch program of chicken treated with fluoroquinolones (an antibiotic treatment).

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[2] This does not reflect some $400 million in surplus commodities purchased and donated to child nutrition programs using section 32 agricultural surplus removal funds.

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Several child nutrition programs and provisions due to expire at the end of of FY2003 were temporarily extended through March 31, 2004 in separate legislation (P.L.108-134) after the Congress was unable to agree on a comprehensive child nutrition reauthorization bill. These programs include: (1) the summer food service program and summer food service pilot projects; (2) authority for the use of agricultural funds to buy commodities for food programs; (3) provisions relating to eligibility for private non-profit child and adult care food providers, and (4) a provision extending a provision permitting the exclusion of military housing allowances for free and reduced price meal eligibility.

WIC program funding authority, which expired at the end of FY2003, was not among the expiring programs temporarily reauthorized by P.L.108-134. Nevertheless, the program was funded in the FY2004 consolidated appropriations act at $4.64 billion. This program provides monthly food packages to low-income pregnant and postpartum mothers and children under age 5 who are at nutritional risk. The amount provided by P.L. 108-199 is the same as that recommended by the Senate; $51 million less than the House proposal; $130 million less than the Administration request; and $56.8 million less than the FY2003 appropriation. The Senate committee report (S. Rept.108-107) justified the agreed-upon FY2004 reduction in appropriated funds from FY2003 on the basis of lower than originally projected FY2003 participation rates and a slight decrease in WIC food package costs. Moreover, according to the Administration, there will be $125 million in unexpended reserve funds from FY2003 that can be used in FY2004. The report projected that the final funding level of $4.64 billion would be adequate to maintain participation at the FY2003 level of approximately 7.8 million.

An Administration proposal to remove funding for the Farmers' Market Nutrition Program (FMNP)[3] from the WIC budget, and instead, fund this activity under the Commodity Assistance Program (CAP, see below) was not adopted in the final law. The House-passed bill concurred with this change; the Senate bill did not. The final law sets $23 million ($2 million less than the Senate bill) as the amount of WIC funds to be spent on the FMNP. It also allows not less than $15 million of WIC funds for a breastfeeding support initiative, and up to $25 million for management information systems. Up to $4 million of WIC funds are permitted to be used for pilot projects to combat childhood obesity, $1 million less than the Senate bill recommendation.

The Commodity Assistance Program (CAP) is a category created by appropriators to combine funding for a variety of commodity donation programs authorized by several agriculture laws. Programs include the commodity supplemental food program (CSFP); emergency food assistance program (EFAP) administrative grants; and funding for Food Donations and Pacific Island Assistance.

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[3] The FMNP provides coupons to WIC recipients to use to purchase fresh foods at farmers' markets.

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The finally enacted law provides a total of $150 million for these programs, instead of the $166 million proposed by the Administration and the House and the $145 million proposed by the Senate. This is $13.4 million less than the amount spent for these programs in FY2003. Of the amount appropriated, the CSFP is funded at $98.92 million. The CFSP provides monthly food packages made up of commodities to low-income pregnant and postpartum women, children under 6 and elderly persons. The final law provides $3.93 million more than the Administration request, and the House and Senate recommended levels. Conference report language indicates the conferees' intent that the funding maintain the same caseload in FY2004 as that existing at the end of FY2003. The final CAP funding also provides $50 million to support the administrative costs of distributing commodities through the EFAP, and $1.081 million for food donations for disasters and Pacific Island assistance, and contains language authorizing assistance to nuclear-affected islands.

Food and Drug Administration (FDA)

The Food and Drug Administration (FDA), an agency of the Department of Health and Human Services (DHHS), is responsible for regulating the safety of foods, drugs, biologics (e.g., vaccines), and medical devices. The agency is funded by a combination of congressional appropriations and various user fee revenues, assessed primarily for the pre-market review of drug and medical device applications. The total amount of user fees to be collected each year is set in FDA's annual appropriations act. The FY2004 consolidated appropriations act (P.L. 108-199) provides a total program level of $1.704 billion. Of this amount, $1.387 billion is appropriated for FDA salaries and expenses, an increase of $6 million over the $1.381 billion appropriated for FY2003, but $19 million less than the Administration request of $1.406 billion. P.L. 108-199 also appropriated $7 million to pay for construction and maintenance of FDA's buildings and facilities. In addition, P.L. 108-199 allows FDA to collect a total of $309.7 million in user fees during FY2004, an amount 14.5% higher than the $270.5 million in user fees for FY2003.

User Fees

Total user fee revenues, which have risen steadily over the past 10 years, account for nearly 18% of FDA's total program level this year. The Prescription Drug User Fee Act (PDUFA), reauthorized as part of the 2002 Public Health Security and Bioterrorism Preparedness and Response Act (P.L. 107-188), allows FDA to collect user fees for the review of drug and biologic applications. P.L. 108-199 sets these fees at $249.8 million, as the President requested, an increase of $26.9 million over the $222.9 million for FY2003. In addition, the new Medical Device User Fee and Modernization Act (MDUFMA) of 2002 (P.L. 107-250) authorizes the agency to charge user fees for medical device applications as well. P.L. 108-199 calls for $31.7 million in medical device user fee assessments, an increase over the $25.1 million for FY2003. Moreover, the President signed the new Animal Drug User Fee Act of 2003 (P.L. 108-130) on November 18, 2003, and the conference committee

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recommended that $5 million be derived from these fees. The FDA also receives $23.2 million in user fee revenues from mammography clinics, color certification receipts, and export certificates.

Counterterrorism Activities

The conference report provides $20.5 million for FDA's counterterrorism activities in FY2004, the same as the budget request. These funds are consolidated under the category of food safety as part of the DHHS's overall strategy to protect the nation's food supply, and include $5 million in grants to states, $5 million for laboratory protection, and another $10.5 million to support FDA's new food facility registration system. This initiative, mandated under the Bioterriorism Act of 2002, requires all food facilities, both domestic and foreign, to register with the FDA.

Unified Financial Management System

FDA's Unified Financial Management System (UFMS), which integrates the Department's financial management structure, provides HHS leaders with a more timely and coordinated view of critical financial management information. Conference report language includes a total of $9.445 million for the UFMS, an increase of $1.145 million. The conferees directed that, from this total amount, no less than $4.5 million is to be invested in improvements to FDA's legacy systems, and cannot be used for UFMS contracts or global UFMS costs.

Food

Conference report language continues to support $1.9 million for research at the New Mexico University Laboratory to develop rapid test methods for microbiological pathogens found in fruits and vegetables and to develop models and data analysis to facilitate implementation of FDA's rules on food safety, homeland security, bioterrorism, and other initiatives.

In three other issues related to food, conferees (1) agreed to an appropriation of $21.607 million for Bovine Spongiform Encephalopathy (BSE) prevention activities; (2) allocated $692,000 for the food center's adverse event reporting system; and (3) set aside a total of $10.9 million for the regulation of dietary supplements, a $500,000 increase over FY2003. The conference report concurs with a Senate provision that directs the agency to spend no less than $250,000 to process comments on its March 5, 2003 proposed rule to require warning labels on dietary supplements containing ephedrine alkaloids.

Seafood

In report language, the conferees said they expect FDA to devote no less than $250,000 to continuing work with the Interstate Shellfish Sanitation Commission

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(ISSC) and at least $250,000 to promoting educational and research activities related to shellfish safety in general and *Vibrio vulnificus* in particular. On other seafood safety issues, the conference committee let stand a House requirement that FDA produce a report describing its current efforts for controlling temperature requirements for imported seafood; the Senate urged FDA to promote new cost-effective technologies to control temperatures. The House required the FDA to report on the sampling frequency and violation rates for chloramphenicol contamination in farm-raised imported shrimp, while the Senate encouraged the agency to increase its frequency of inspections.

Drug Issues

The conferees directed FDA to spend no less than $53.8 million for its generic drugs program, confirming that the timely approval of generic drug products plays an important role in addressing the high cost of prescription drugs. An $8 million increase over the FY2003 level, the amount is $5 million less than the $13 million increase called for in the budget request. Nevertheless, both the House and Senate committees said this funding level — coupled with the pay increases for the program — will allow the agency to hire 28 more reviewers and examiners and review at least 85 percent of generic drug applications within 6 months of submission. In separate but related legislation, the President signed into law on December 8, 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (H.R. 1), which contains a provision to close existing loopholes in the Hatch-Waxman patent law and, in so doing, speed up the availability of less costly generic drugs for consumers.

Conferees rejected a House-passed provision that would have blocked FDA from preventing individuals, wholesalers, and pharmacists from importing cheaper FDA-approved prescription drugs from foreign suppliers. The recently enacted Medicare reform legislation also includes a provision to let pharmacists and drug wholesalers import prescription drugs from Canada, but only if the DHHS Secretary first certifies to Congress that the drugs will be safe and provide substantial cost savings for American consumers.

To address other drug-related issues, conference report language provides $8 million to reduce review times and increase the number of generic drugs on the market; $4 million to improve pediatric labeling under the Best Pharmaceuticals for Children Act; $3 million for activities related to patient safety; and $650,000 to support FDA's over-the-counter (OTC) drug program. Acknowledging the important role OTC drugs play in the nation's healthcare system, Congress directed that the OTC funds be used to hire and train additional employees to improve the OTC drug review process and work towards finalizing the OTC drug monograph system. In addition, the conferees provided $13.3 million to support grants and contracts under the Orphan Products Grants Program.

Note: The FY2004 consolidated appropriations act (P.L. 108-199, H.R. 2673) contains a 0.59 percent across-the-board rescission in all discretionary accounts. Enacted FY2004 funding levels in this report do not reflect the effects of this rescission.

Commodity Futures Trading Commission (CFTC)

The Commodity Futures Trading Commission (CFTC) is the independent regulatory agency charged with oversight of derivatives markets. The CFTC's functions include oversight of trading on the futures exchanges, registration and supervision of futures industry personnel, prevention of fraud and price manipulation, and investor protection. Although most futures trading is now related to financial variables (interest rates, currency prices, and stock indexes), Congressional oversight is vested in the Agricultural Committees because of the market's historical origins as an adjunct to agricultural trade. For FY2004, the consolidated appropriations act (P.L. 108-199) provides $90.4 million , which is $2 million more than the House- and Senate-passed measures and the Administration request, and $5 million above the FY2003 appropriation. The Senate-reported version of the bill had originally provided $90.4 million. However, an adopted floor amendment in the Senate reduced CFTC funding by $2 million to offset the added cost of a rural development amendment. The final enacted level in effect is the same as the Senate-reported level.

In earlier Senate floor action on the appropriations measure, the Senate rejected by a vote of 41-56 an amendment offered by Senator Feinstein that would have given the Commodity Futures Trading Commission (CFTC) and Federal Energy Regulatory Commission (FERC) new powers to regulate energy trading and marketing. The amendment would have required currently unregulated dealers in over-the-counter derivatives contracts based on energy products to report certain data to the CFTC, and would have increased the anti-fraud authority available to both regulators. Proponents of such legislation have argued that the collapse of Enron and the California electricity crisis were signs of a dangerous regulatory gap. Opponents believe that regulators have adequate authority to pursue fraud and manipulation under current law, and point to ongoing enforcement actions against Enron and other energy traders as evidence of this.

Note: The FY2004 consolidated appropriations act (P.L. 108-199, H.R. 2673) contains a 0.59 percent across-the-board rescission in all discretionary accounts. Enacted FY2004 funding levels in this report do not reflect the effects of this rescission.

Table 3. USDA and Related Agencies Appropriations, FY2004 Budget Request, House Bill, Senate Bill and Enacted, vs. FY2003 Enacted

(budget authority, in millions of $)

Agency or Major Program	FY2003 Enacted (1)	FY2004 Admini-stration Request	FY2004 House-Passed Bill	FY2004 Senate-Passed Bill	FY2004 Enacted (P.L. 108-199)
Title I — Agricultural Programs					
Agric. Research Service (ARS) Regular Appropriation Supplemental (P.L. 108-11)	 1,153.8 110.0	 1,011.3 0	 1,049.9 0	 1,091.5 0	 1,152.7 0
Coop. State Research Education and Extension Service (CSREES)	1,117.2	1,003.4	1,108.5	1,117.8	1,119.6
Economic Research Service (ERS)	68.7	76.7	71.4	69.9	71.4
National Agric. Statistics Serv.(NASS)	138.4	136.2	129.8	128.9	128.9
Animal and Plant Health Inspection Service (APHIS)	692.7	699.9	730.5	712.0	725.6
Agric. Marketing Service (AMS)	91.5	91.8	92.7	94.0	94.2
Grain Inspection , Packers and Stockyards Admin. (GIPSA)	39.7	41.7	39.7	35.6	35.9
Food Safety & Inspection Serv. (FSIS)	754.8	797.1	785.3	783.8	784.5
Farm Service Agency (FSA) Salaries and Expenses	970.4	1,016.8	1,016.8	988.8	988.8
FSA Farm Loans - Subsidy Level	226.8	210.7	200.2	194.3	196.7
**Farm Loan Authorization*	*3,937.0*	*3,518.4*	*3,385.6*	*3,248.5*	*3,264.9*
FSA Farm Loans- Salaries and Administrative Expenses	285.3	298.1	298.1	291.0	291.0
Risk Management Agency (RMA) Salaries and Expenses	70.2	78.5	71.5	71.4	71.4
Federal Crop Insurance Corp. Fund (3)	2,886.0	3,368.0	3,368.0	3,368.0	3,368.0
Commodity Credit Corp. (CCC) (3)	16,285.0	17,275.0	17,275.0	17,275.0	17,275.0
Other Agencies and Programs	564.5	665.6	501.8	554.7	521.8
Total, Agricultural Programs **Regular Appropriation** **Supplemental Appropriations**	 **25,346.7** **110.0**	 **26,770.8** **— -**	 **26,739.2** **— -**	 **26,775.2** **— -**	 **26,825.5** **— -**
Title II — Conservation Programs					

Note: The FY2004 consolidated appropriations act (P.L. 108-199, H.R. 2673) contains a 0.59 percent across-the-board rescission in all discretionary accounts. Enacted FY2004 funding levels in this report do not reflect the effects of this rescission.

Agency or Major Program	FY2003 Enacted (1)	FY2004 Admini-stration Request	FY2004 House-Passed Bill	FY2004 Senate-Passed Bill	FY2004 Enacted (P.L. 108-199)
Conservation Operations	819.6	703.6	850.0	826.6	853.0
Watershed Surveys and Planning	11.1	5.0	11.1	10.0	10.6
Watershed & Flood Prevention	109.3	40.0	90.0	55.0	87.0
Watershed Rehabilitation Program	29.8	10.0	40.0	29.8	29.8
Resource Conservation & Development	50.7	49.9	52.9	51.0	51.9
Farm Bill Technical Assistance	0	432.2	0	0	0
Total, Conservation	**1,021.3**	**1,241.6**	**1,044.8**	**973.2**	**1,033.1**
Title III — Rural Development					
Rural Community Advancement Program (RCAP)	901.8	477.9	701.0	769.5	757.4
Salaries and Expenses	144.8	147.5	146.5	140.9	141.9
Rural Housing Service (RHS)	1,567.4	1,546.1	1,523.9	1,507.7	1,376.2
** RHS Loan Authority*	*4,156.0*	*4,319.0*	*4,364.7*	*4,352.8*	*4,362.1*
Rural Business-Cooperative Service	50.3	39.0	71.6	70.7	84.0
** RBCS Loan Authority*	*55.0*	*55.0*	*56.1*	*55.0*	*55.0*
Rural Utilities Service (RUS)	112.0	81.3	83.6	106.4	102.3
** RUS Loan Authority*	*6,120.7*	*3,521.0*	*5,291.0*	*6,725.5*	*6,680.5*
Total, Rural Development	**2,777.0**	**2,292.6**	**2,527.2**	**2,593.8**	**2,462.5**
** Rural Development, Total Loan Authority*	*10,331.8*	*7,895.0*	*9,711.8*	*11,133.3*	*11,097.6*
Title IV — Domestic Food Programs					
Child Nutrition Programs	10,580.1	11,418.4	11,418.4	11,418.4	11,417.4
WIC Program	4,696.0	4,769.2	4,588.3	4,639.2	4,639.2
Food Stamp Program	26,313.7	27,746.0	27,746.0	29,948.0	30,946.0
Commodity Assistance Program	163.4	166.1	166.1	145.7	150.0
Food Donation Programs	1.1	0	0	0	0
Nutrition Programs Administration	135.7	144.8	140.5	138.3	138.3
Total, Food Programs	**41,890.6**	**44,245.4**	**44,059.9**	**46,290.3**	**47,291.6**
Title V — Foreign Assistance					

Note: The FY2004 consolidated appropriations act (P.L. 108-199, H.R. 2673) contains a 0.59 percent across-the-board rescission in all discretionary accounts. Enacted FY2004 funding levels in this report do not reflect the effects of this rescission.

Agency or Major Program	FY2003 Enacted (1)	FY2004 Administration Request	FY2004 House-Passed Bill	FY2004 Senate-Passed Bill	FY2004 Enacted (P.L. 108-199)
Foreign Agric. Service (FAS)	129.1	140.8	133.9	131.6	132.1
Public Law (P.L.) 480 Regular Appropriation Supplemental (P.L. 108-11)	 1,334.7 369.0	 1,320.9 0	 1,327.9 0	 1,326.0 0	 1,326.0 0
McGovern-Dole International Food for Education Program	0	50.0	56.9	25.0	50.0
CCC Export Loan Salaries	4.0	4.3	4.3	4.15	4.15
Total, Foreign Assistance **Regular Appropriation** **Supplemental**	 **1,467.8** **369.0**	 **1,516.0** **0**	 **1,523.0** **0**	 **1,486.8**	 **1,512.3** **0**
Title VI — FDA & Related Agencies					
Food and Drug Administration	1,381.7	1,406.1	1,395.2	1,392.2	1,394.0
Commodity Futures Trading Commission (CFTC)	85.4	88.4	88.4	88.4	90.4
Total, FDA & CFTC	**1,467.1**	**1,494.6**	**1,483.7**	**1,480.6**	**1,484.4**
Title VII — General Provisions	**303.4**	**0**	**8.5**	**4.5**	**23.0**
Total, before adjustments: **Regular Appropriations** **Supplemental Appropriations** **Grand Total**	 **74,231.9** **479.0** **74,752.9**	 **77,561.1** **0** **77,561.1**	 **77,386.3** **0** **77,386.3**	 **79,602.4** **0** **79,602.4**	 **80,632.3** **0** **80,632.3**
CBO Scorekeeping Adjustments (4)	-141.2	68.0	106.0	89.0	-2.4
Grand Total, Including CBO Scorekeeping Adjustments and Emergency Spending	**74,611.7**	**77,629.1**	**77,492.3**	**79,691.4**	**80,629.9**
Addendum: **Division N, Title II (P.L. 108-7) Disaster Assistance Provisions** (5)	**3,084.0**	**0**	**0**	**0**	**0**
Division H, Sect.102 (FY2004 Conf. Rept.) California Wildfire Assistance (6)	**0**	**0**	**0**	**0**	**175.0**

Source: Based on spreadsheets provided by the House Appropriations Committee.

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An item with a single asterisk (*) represents the total amount of direct and guaranteed loans that can be made given the requested or appropriated loan subsidy level. Only the subsidy level is included in the total appropriation.

(1) FY2003 enacted levels include amounts appropriated for USDA and related agencies in the Consolidated Appropriations Act, 2003 (P.L. 108-7) adjusted for the 0.65% across-the-board rescission in all discretionary programs (with the exception of the WIC program which was specifically exempted from the rescission), and the $479 million in supplemental FY2003 agriculture appropriations provided by the Wartime Supplemental Appropriations Act, 2003.

(2) The FY2004 omnibus conference agreement (H.R. 2673) contains a 0.59% across-the-board rescission in all non-defense discretionary accounts. Figures in this table are as reported by the conferees and do not include the effect of the rescission.

(3) Under current law, the Commodity Credit Corporation and the Federal Crop Insurance Fund each receive annually an indefinite appropriation ("such sums, as may be necessary"). The amounts shown for both FY2003 and FY2004 are USDA estimates of the necessary appropriations.

(4) Scorekeeping adjustments reflect the savings or cost of provisions that affect mandatory programs, plus the permanent annual appropriation made to USDA's Section 32 program.

(5) P.L. 108-7 includes $3.1 billion in farm disaster assistance for 2000 and 2001 crop livestock losses. The cost of this assistance in the final law was offset by a limitation placed on mandatory spending for the Conservation Security Program over a ten-year period (FY2004-FY2013). This additional spending does not appear in the grand total listed above.

(6) Division H of P.L.108-199 contains $225 million in supplemental funding for various USDA assistance programs (including $50 million for USDA's Forest Service, which is funded under the Interior appropriations bill). Spending for this assistance was offset in the conference agreement by a mandated rescission of $225 million from the Federal Emergency Management Agency (FEMA).

Note: The FY2004 consolidated appropriations act (P.L. 108-199, H.R. 2673) contains a 0.59 percent across-the-board rescission in all discretionary accounts. Enacted FY2004 funding levels in this report do not reflect the effects of this rescission.